

CIRCULAR DATED 13 SEPTEMBER 2018

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, TAX ADVISER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all your issued and fully paid-up ordinary shares in the capital of Avarga Limited (the “**Company**”), you should immediately forward this Circular, the enclosed Notice of Extraordinary General Meeting and the enclosed Proxy Form to the purchaser or transferee, or the stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) assumes no responsibility for the accuracy of any of the statements made or opinions expressed or reports contained in this Circular. Approval in-principle has been granted by the SGX-ST to the Company for the listing of and quotation for the Consideration Shares (as defined herein) on the SGX-ST subject to certain conditions. Approval in-principle granted by the SGX-ST to the Company for the listing of and quotation for the Consideration Shares on the SGX-ST is not to be taken as an indication of the merits of any of the Proposed Transactions, the Consideration Shares, the Company and/or its subsidiaries.

**AVARGA
LIMITED
AVARGA LIMITED**

(Formerly known as UPP Holdings Limited)
(Incorporated in the Republic of Singapore)
(Company Registration No. 196700346M)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

(1) THE PROPOSED ACQUISITIONS (THE “PROPOSED ACQUISITIONS”) OF:

- (A) 10 COMMON SHARES WITHOUT PAR VALUE AND 9,216,100 PREFERRED SHARES WITH A PAR VALUE OF CANADIAN DOLLAR (“C\$”) \$1.00 EACH IN THE AUTHORISED SHARE STRUCTURE OF KUBLAI CANADA LIMITED (THE “TARGET”); AND**
- (B) THE DEBT OWED BY THE TARGET TO GENGHIS S.À.R.L. (“GENGHIS”) IN THE PRINCIPAL AMOUNT OF C\$13,824,049.60,**

FOR AN AGGREGATE CONSIDERATION OF C\$27,709,209.50, PAYABLE BY A COMBINATION OF CASH IN THE AMOUNT OF C\$8,804,120.38 AND THE ISSUANCE OF 73,439,000 CONSIDERATION SHARES (AS DEFINED BELOW);

- (2) THE PROPOSED ALLOTMENT AND ISSUANCE OF 73,439,000 SHARES (THE “CONSIDERATION SHARES”) AT AN ISSUE PRICE OF S\$0.26 PER CONSIDERATION SHARE IN SATISFACTION OF THE NON-CASH PORTION OF THE PURCHASE CONSIDERATION FOR THE PROPOSED ACQUISITIONS;**
- (3) THE WHITEWASH RESOLUTION FOR THE WAIVER BY INDEPENDENT SHAREHOLDERS OF THEIR RIGHTS TO RECEIVE A MANDATORY OFFER FROM GENGHIS FOR ALL THE SHARES IN ISSUE NOT ALREADY OWNED, CONTROLLED, TO BE ISSUED TO OR AGREED TO BE ACQUIRED BY GENGHIS AND ITS CONCERT PARTIES AS A RESULT OF THE ALLOTMENT AND ISSUE OF THE 73,439,000 CONSIDERATION SHARES TO GENGHIS; AND**
- (4) THE PROPOSED DIVERSIFICATION OF BUSINESS TO INCLUDE THE INVESTMENT BUSINESS (AS DEFINED HEREIN).**

***Independent Financial Adviser in relation to the Proposed Acquisitions
and the Proposed Whitewash Resolution***



PROVENANCECAPITAL

PROVENANCE CAPITAL PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No.: 200309056E)

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	25 September 2018 at 10.30 a.m.
Date and time of Extraordinary General Meeting	:	28 September 2018 at 10.30 a.m.
Place of Extraordinary General Meeting	:	Room 503, Level 5 RELC International Hotel 30 Orange Grove Road Singapore 258352

TABLE OF CONTENTS

DEFINITIONS	2
LETTER TO SHAREHOLDERS	7
1. INTRODUCTION	8
2. THE PROPOSED ACQUISITIONS	8
3. THE WHITEWASH RESOLUTION	19
4. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITIONS	22
5. THE PROPOSED DIVERSIFICATION	23
6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS	31
7. DIRECTORS' RECOMMENDATIONS	31
8. INTER-CONDITIONALITY OF RESOLUTIONS	32
9. EXTRAORDINARY GENERAL MEETING	33
10. ACTION TO BE TAKEN BY SHAREHOLDERS	33
11. ABSENTION FROM VOTING	33
12. CONSENT	33
13. DIRECTORS' RESPONSIBILITY STATEMENT	34
APPENDIX I – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) OF TAIGA	35
APPENDIX II – MANAGEMENT DISCUSSION AND ANALYSIS OF TAIGA	50
APPENDIX III – IFA LETTER	58
NOTICE OF EXTRAORDINARY GENERAL MEETING	84
PROXY FORM	

DEFINITIONS

In this Circular, the following definitions shall apply throughout unless the context otherwise requires or otherwise stated:—

“AGM”	:	The annual general meeting of the Company
“associate”	:	<p>In relation to an interested person who is a director, chief executive officer, substantial shareholder or controlling shareholder (being an individual), means:</p> <ul style="list-style-type: none">(i) his immediate family member (that is, the spouse, child, adopted child, step-child, sibling and parent) of such director, chief executive officer, substantial shareholder or controlling shareholder;(ii) 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(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more <p>and, in relation to a substantial shareholder or a controlling shareholder (being a company), an “associate” 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</p>
“Berjaya Forest”	:	Berjaya Forest Products (Luxembourg) S.à.r.l
“Board”	:	The board of Directors as at the date of this Circular
“Business Day”	:	Any day on which the TSX is open for business, except Saturdays, Sunday and statutory holidays in the province of British Columbia, Canada, Singapore or Luxembourg
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 13 September 2018
“Closing Date”	:	Shall have the meaning ascribed to it in Section 2.5.3 of this Circular
“Code”	:	The Singapore Code on Take-overs and Mergers
“Common Shares”	:	10 common shares without par value held by the Vendor in the authorised share structure of the Target

DEFINITIONS

“Companies Act”	:	The Companies Act, Chapter 50 of Singapore, as may be amended or modified from time to time
“Company”	:	Avarga Limited (formerly known as UPP Holdings Limited)
“Consideration Shares”	:	The Shares to be issued by the Company in satisfaction of the non-cash portion of the purchase consideration for the Proposed Acquisitions
“Controlling Shareholder”	:	A person who holds directly or indirectly 15% or more of the total number of issued Shares excluding Treasury Shares in the Company (unless the SGX-ST determines otherwise) or a person who in facts exercises control over the Company, as defined in the Listing Manual
“CRA”	:	Shall have the meaning ascribed to that term in Section 2.4.4 of this Circular
“Directors”	:	The directors of the Company as at the date of this Circular
“EGM”	:	The extraordinary general meeting of the Company to be convened on 28 September 2018, notice of which is set out on pages 84 to 86 of this Circular
“EPS”	:	Earnings per Share
“FY2017”	:	Financial year of the Company ended 31 December 2017
“Genghis” or “Vendor”	:	Genghis S.à.r.l.
“Group”	:	The Company and its subsidiaries
“IFA”	:	Provenance Capital Pte. Ltd., the independent financial adviser in relation to the Proposed Acquisitions and the Whitewash Resolution
“IFA Letter”	:	Letter from the IFA to the Independent Directors dated 13 September 2018 containing the advice of the IFA in respect of the Proposed Acquisitions as an interested person transaction and the Whitewash Resolution as set out in Appendix III to this Circular
“Independent Directors”	:	Directors who are considered independent for the purpose of making the recommendation to the minority Shareholders in respect of the Proposed Acquisitions and the Independent Shareholders in respect of the Whitewash Resolution, being Koh Wan Kai, Khoo Hsien Ming Kevin, Gary Ho Kuat Foong, Ng Shin Ein, Kalimullah Bin Masheerul Hassan, Ong Pang Liang and Garson David Lee

DEFINITIONS

“Independent Shareholders”	:	The Shareholders (other than Genghis, parties acting in concert with it and parties not independent of them) who are deemed to be independent for the Whitewash Resolution
“Investment Business”	:	Shall have the meaning ascribed to it in Section 5 of this Circular
“Latest Practicable Date”	:	30 August 2018, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST, as may be amended or modified from time to time
“NAV”	:	Net asset value
“NTA”	:	Net tangible assets
“Old Taiga Notes”	:	The then-outstanding 14% subordinated unsecured notes in the capital of Taiga which were due in 2020
“Preferred Shares”	:	9,216,100 preferred shares with a par value of C\$1.00 each held by the Vendor in the authorised share structure of the Target
“Proposed Acquisitions”	:	The acquisitions of the Purchased Shares and Purchased Debt collectively and each a “Proposed Acquisition”
“Proposed Diversification”	:	The diversification of the Group’s business to include the Investment Business
“Proposed Transactions”	:	The Proposed Acquisitions, the Whitewash Resolution and the Proposed Diversification collectively
“Parties”	:	The Company and Genghis, collectively
“Proxy Form”	:	The proxy form in respect of the EGM as set out in this Circular
“Purchased Debt”	:	The debt owed by the Target to the Vendor in the principal amount of C\$13,824,049.60 bearing interest at a rate of 9% per annum
“Purchased Shares”	:	The Common Shares and the Preferred Shares collectively
“SGX-ST”	:	Singapore Exchange Securities Trading Limited

DEFINITIONS

“Shareholders”	:	The registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to those Shares, mean the Depositors who have shares entered against their names in the Depository Register
“Shares”	:	Ordinary shares in the capital of the Company
“SIC”	:	Securities Industry Council of Singapore
“SPA”	:	The sale and purchase agreement dated 22 March 2018 as amended by the supplementary agreement dated 17 July 2018 entered into between the Parties in relation to the Proposed Acquisitions
“Substantial Shareholder”	:	A person who has an interest in not less than 5% of the issued Shares
“Taiga”	:	Taiga Building Products Ltd.
“Taiga Notes Restructuring”	:	Shall have the meaning ascribed to it in Section 2.2 of this Circular
“Taiga Shares”	:	Common shares in the capital of Taiga
“Take-over Code”	:	The Singapore Code on Take-overs and Mergers, as may be amended or modified from time to time
“Target”	:	Kublai Canada Limited, a corporation organised under the laws of British Columbia, Canada
“TSX”	:	Toronto Stock Exchange
“Warrants”	:	The outstanding warrants issued by the Company in 2017, each warrant entitling the holder thereof to subscribe for one (1) new Share at the exercise price of S\$0.37 for each new Share
“Whitewash Resolution”	:	The resolution which, if passed by the Independent Shareholders, would result in a waiver by the Independent Shareholders of their rights to receive a general offer from Genghis as a result of the issuance of the Consideration Shares pursuant to the Proposed Acquisitions
“Whitewash Waiver”	:	The waiver of the obligation of Genghis to make a mandatory general offer for the Company under Rule 14.1 of the Code as a result of the issuance of the Consideration Shares pursuant to the Proposed Acquisitions

DEFINITIONS

“C\$” : Canadian dollars, the lawful currency of Canada

“S\$” and “cents” : Singapore dollars and cents respectively, the lawful currency of the Republic of Singapore

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the respective meanings ascribed to them in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore.

The term “**Treasury Shares**” shall have the meaning ascribed to it in Section 4 of the Companies Act.

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

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word or term defined under the Companies Act or the Listing Manual or any statutory modification thereof, and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act or the Listing Manual or any such statutory modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of day and dates in this Circular shall be a reference to Singapore time and dates, unless otherwise stated.

Any discrepancies in the tables in this Circular between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In certain parts of this Circular, amounts denominated in C\$ have been converted into S\$ at an agreed exchange rate of C\$1 to S\$1.01, which is the exchange rate as at 22 March 2018, being the date of the SPA.

The exchange rate above is for reference only. No representation is made by the Company that any amount in C\$ has been, could have been or could be converted at the above rate or any other rates at all.

LETTER TO SHAREHOLDERS

AVARGA LIMITED

(Formerly known as UPP Holdings Limited)
(Incorporated in the Republic of Singapore)
(Company Registration No. 196700346M)

Directors:

Tong Kooi Ong (Executive Chairman and Chief Executive Officer)
Koh Wan Kai (Executive Director)
Khoo Hsien Ming Kevin (Executive Director)
Tong Ian (Executive Director)
Gary Ho Kuat Foong (Lead Independent Director)
Ng Shin Ein (Independent Director)
Kalimullah Bin Masheerul Hassan (Independent Director)
Ong Pang Liang (Independent Director)
Garson David Lee (Independent Director)

Registered Office:

1 Kim Seng Promenade #13-10
Great World City West Tower
Singapore 237994

13 September 2018

To: The Shareholders of Avarga Limited

Dear Sir/Madam

(1) THE PROPOSED ACQUISITIONS (THE “PROPOSED ACQUISITIONS”) OF:

(A) 10 COMMON SHARES WITHOUT PAR VALUE AND 9,216,100 PREFERRED SHARES WITH A PAR VALUE OF CANADIAN DOLLAR (“C\$”) \$1.00 EACH IN THE AUTHORISED SHARE STRUCTURE OF KUBLAI CANADA LIMITED (THE “TARGET”); AND

(B) THE DEBT OWED BY THE TARGET TO GENGHIS S.À.R.L. (“GENGHIS”) IN THE PRINCIPAL AMOUNT OF C\$13,824,049.60,

FOR AN AGGREGATE CONSIDERATION OF C\$27,709,209.50, PAYABLE BY A COMBINATION OF CASH IN THE AMOUNT OF C\$8,804,120.38 AND THE ISSUANCE OF 73,439,000 CONSIDERATION SHARES (AS DEFINED BELOW);

(2) THE PROPOSED ALLOTMENT AND ISSUANCE OF 73,439,000 SHARES (THE “CONSIDERATION SHARES”) AT AN ISSUE PRICE OF S\$0.26 PER CONSIDERATION SHARE IN SATISFACTION OF THE NON-CASH PORTION OF THE PURCHASE CONSIDERATION FOR THE PROPOSED ACQUISITIONS;

(3) THE WHITEWASH RESOLUTION FOR THE WAIVER BY INDEPENDENT SHAREHOLDERS OF THEIR RIGHTS TO RECEIVE A MANDATORY OFFER FROM GENGHIS FOR ALL THE SHARES IN ISSUE NOT ALREADY OWNED, CONTROLLED, TO BE ISSUED TO OR AGREED TO BE ACQUIRED BY GENGHIS AND ITS CONCERT PARTIES AS A RESULT OF THE ALLOTMENT AND ISSUE OF THE 73,439,000 CONSIDERATION SHARES TO GENGHIS; AND

(4) THE PROPOSED DIVERSIFICATION OF BUSINESS TO INCLUDE THE INVESTMENT BUSINESS (AS DEFINED HEREIN).

LETTER TO SHAREHOLDERS

1. INTRODUCTION

The purpose of this Circular is to provide Shareholders with relevant information relating to, and explain the rationale of, the Proposed Transactions, as well as to seek the approval of the Shareholders for the Proposed Transactions.

The notice of the EGM relating to the Proposed Transactions is set out at pages 84 to 86 of this Circular.

2. THE PROPOSED ACQUISITIONS

2.1 Background

On 23 March 2018, the Company announced that it had entered into a sale and purchase agreement with Genghis to acquire:

- (a) the Purchased Shares, comprising the Common Shares (being 10 common shares without par value in the authorised share structure of the Target) and the Preferred Shares (being 9,216,100 preferred shares with a par value of C\$1.00 each in the authorised share structure of the Target); and
- (b) the Purchased Debt, being the debt owed by the Target to Genghis in the principal amount of C\$13,824,049.60 bearing interest at a rate of 9% per annum.

Completion of the Proposed Acquisitions is subject to and conditional upon various conditions, including, *inter alia*, the approval of Shareholders for the Proposed Acquisitions at the EGM.

The Proposed Acquisitions constitutes an interested person transaction as Genghis is an “interested person” and the Company is an “entity at risk” (both terms as defined in Chapter 9 of the Listing Manual). Please refer to Section 2.7 of the Circular for further details.

2.2 Rationale for the Proposed Acquisitions

The Company had on 31 January 2017 (Pacific Standard Time), through its wholly-owned subsidiary Avarga Canada Limited (formerly known as UPP Investments Canada Limited), acquired an aggregate of (i) 18,908,208 common shares representing approximately 58.34% of the capital of Taiga and (ii) C\$46,008,796.98 principal amount of Old Taiga Notes from Berjaya Forest and Genghis separately. Further information on the transaction can be found in the Company’s circular dated 16 January 2017. Since the Company’s acquisition of Taiga, the business carried out by Taiga has become and continues to be one of the Group’s core businesses. Taiga is a public company incorporated in Canada and has been listed on the TSX since 1993.

As announced by the Company on 11 November 2017, pursuant to Taiga’s restructuring of the Old Taiga Notes (the “**Taiga Notes Restructuring**”), holders of such notes had elected to exchange their notes for an aggregate of C\$12,500,000 principal amount of new 7% senior notes of Taiga due 5 years from the date of issuance and 84,408,831 Taiga Shares. As stated by Taiga in its exchange offer and consent solicitation statement dated 29 September 2017 in relation to the Taiga Notes Restructuring (a copy of which has been made available on the SGXNET), the Taiga Notes Restructuring would *inter alia* allow Taiga to reduce its financial leverage, providing it with greater financial flexibility to pursue future growth opportunities, and lower its cost of capital. The Taiga Notes Restructuring was completed on 23 December 2017, when Taiga redeemed all of the remaining Old Taiga

LETTER TO SHAREHOLDERS

Notes in the aggregate principal amount of C\$15,043,218 for a redemption price of 100% of the principal amount of the Old Taiga Notes, plus accrued and unpaid interest. Pursuant to the Taiga Notes Restructuring, the Company had exchanged its C\$46,008,796.98 principal amount of Old Taiga Notes for 38,339,847 Taiga Shares. As a result of the foregoing, the level of the Company's shareholdings of outstanding Taiga Shares had decreased from 58.3% to approximately 49.0%.

Genghis did not offer the Target's Taiga Shares for sale to the Company, but it agreed to sell *inter alia* the entire issued and paid-up capital of the Target (being the Purchased Shares) to the Company. The Company was agreeable to purchasing the Target's shares and debt since the Target was a single purpose company with no business other than its investment in Taiga.

The Proposed Acquisitions, if and when completed, will enable the Company to regain its majority shareholding stake in Taiga. The Proposed Acquisitions are also expected to be earnings-accretive.

2.3 Information on the Target

The Target is a company incorporated and organised under the laws of British Columbia, Canada on 26 October 2017. It is a wholly-owned subsidiary of Genghis. The Target acts as a holding company to hold Genghis' Taiga Shares, and has not otherwise conducted business other than the maintenance of its existence and the performance of its obligations in relation to the Purchased Debt.

Based on the latest unaudited accounts of the Target for the financial period from 26 October 2017 (being the date of incorporation of the Target) to 30 June 2018, both the net tangible asset value and net asset value of the Target is C\$9.2 million.

No valuation was conducted in relation to the Purchased Shares.

Pursuant to the Taiga Notes Restructuring, the Target had exchanged C\$22,153,990 principal amount of Old Taiga Notes for 18,460,759 Taiga Shares. As at the Latest Practicable Date, the Target holds 18,460,759 Taiga Shares representing approximately 15.9% of the authorised share structure of Taiga, a company in which the Company has, at the Latest Practicable Date, an interest of approximately 49.2%.

2.4 Information on Taiga

2.4.1 Principal Business

Taiga is the largest independent wholesale distributor of building products in Canada. Taiga distributes building products in Canada, the United States and elsewhere. As a wholesale distributor, Taiga maintains substantial inventories of building products at 15 distribution centres strategically located throughout Canada and 2 distribution centres located in California. In addition, Taiga regularly distributes products through the use of third party reload centres. Taiga also owns and operates three wood preservation plants that produce pressure-treated wood products.

LETTER TO SHAREHOLDERS

2.4.2 Shareholding structure of Taiga

As at the Latest Practicable Date, the breakdown of shareholding interests in Taiga is as follows:

Taiga Shareholders	Shareholdings	
	No. of Taiga Shares	Percentage (%)
The Company	57,248,055	49.2
Target	18,460,759	15.9
Other shareholders	40,613,995	34.9
Total	116,322,809	100.0

In addition, as a result of the Taiga Notes Restructuring, Taiga has C\$12,500,000 principal amount of new 7% senior notes in the capital of Taiga due 5 years from the date of issuance of such notes as at the Latest Practicable Date.

2.4.3 Key financial information on Taiga

(a) Key financial information for the past 3 financial years

Taiga changed its financial year end from 31 March to 31 December on 12 July 2017 to align its financial year with that of the Company, to better facilitate the consolidation of the Company's financial statements. The financial highlights in respect of Taiga, which can be obtained from Taiga's annual reports, full-year reports and/or quarterly reports for the financial years ended 31 March 2015, 31 March 2016 and 31 March 2017 and for the transitional period of 9 months ended 31 December 2017, are set out in the table below.

(C\$'000)	Apr to Dec	For the 12 months ended 31 March		
	2017	2017	2016	2015
Sales	1,106,211	1,223,978	1,364,322	1,348,718
Earnings before income tax	2,415 ⁽¹⁾	13,799	19,008	17,311
Net earnings	(4,186) ⁽¹⁾	7,990	11,720	11,080
NAV and NTA	95,838	(17,871)	(26,543)	(38,920)

Note:

- (1) There was a C\$18.6 million non-cash loss on settlement of debt due to the Taiga Notes Restructuring as mentioned in Section 2.2 of the Circular. An explanation of how this C\$18.6 million non-cash loss arose can be found in the Chairman and CEO's Statement of the Company's annual report for FY2017 and the audited consolidated financial statements of Taiga for 9 months ended 31 December 2017 (which the Company released on SGXNET on 24 February 2018). The loss arose from the accounting treatment of the difference between the market price per Taiga Share of C\$1.42 on 17 November 2017 after the Taiga Notes Restructuring and the implied "issue" price of C\$1.20 per Taiga Share in the Taiga Notes Restructuring, based on the exchange ratio of 833 Taiga Shares for every C\$1,000 principal amount of Old Taiga Notes.

LETTER TO SHAREHOLDERS

(b) Latest interim results announced by Taiga

The unaudited condensed interim consolidated financial statements of Taiga for the three months and six months ended 30 June 2018 are set out in **Appendix I** of this Circular. Information to explain the key trends in the financial results for the three months and six months ended 30 June 2018 is set out in **Appendix II** of this Circular, which contains Taiga's Management Discussion and Analysis for such period.

2.4.4 Tax indemnity agreement dated 9 March 2015 between Taiga and Genghis

As previously disclosed in the Company's circular dated 16 January 2017, the Canada Revenue Agency ("**CRA**") had issued a notice of reassessment to Taiga, seeking to increase withholding taxes paid by Taiga in relation to dividends paid or deemed to have been paid to Berjaya Forest and Genghis in connection with and subsequent to Taiga's corporate reorganization in 2005 (the "**Tax Audit Liability**"). The proposed reassessment for the Tax Audit Liability was up to approximately C\$42 million, including interest. Taiga paid the full amount of the reassessment on 31 January 2017 using proceeds provided by Berjaya Forest and Genghis¹.

Taiga had previously entered into formal written agreements with each of Berjaya Forest and Genghis that fully indemnify Taiga from the Tax Audit Liability. Pursuant to the terms of the indemnities, Berjaya Forest and Genghis may elect to assume any action or defence of Taiga in connection with the foregoing. For the avoidance of doubt, no such indemnity is given by the Company to Taiga. The indemnity agreements remain in effect and would apply in the event that the CRA issues further reassessments relating to the amount of taxes withheld. Further reassessments may arise if the CRA applies the same reasoning as it did in relation to the Tax Audit Liability for different periods when note interest was paid and assess further amounts owing. This has however not happened but the outcome will depend on the results of the challenge by Taiga over the matter. As announced by Taiga in its Management's Discussion and Analysis for the three and six months ended June 30, 2018 and 2017 (which provides an overview of the significant developments that have affected Taiga's performance during the three and six months ended June 30, 2018) and the Condensed Interim Consolidated Financial Statements (unaudited) for the three and six months ended June 30, 2018 and 2017, copies of which have been made available on SGXNET, Taiga intends to challenge the reassessment and vigorously defend its tax filings and to seek a resolution as soon as practically possible.

2.5 Principal Terms of the Proposed Acquisitions

2.5.1 Purchase Consideration

The purchase consideration for the Proposed Acquisitions was calculated and derived by multiplying the number of Taiga Shares held by the Target (being 18,460,759) by the price per Taiga Share (being C\$1.50 as agreed between the Parties). The difference between the aggregate purchase consideration of C\$27,709,209.50 and the amount equivalent to the number of Taiga Shares held by the Target multiplied by the price per Taiga Share is C\$18,071, being an amount equivalent to the Target's retained earnings of C\$18,071 (attributable to the Common Shares) as at 30 June 2018. Please refer to Section 2.5.4 of the Circular for further details.

¹ When Taiga received the notice of reassessment, it accrued a liability for what was owed to the CRA. It also accrued a receivable for what was owed to Taiga by Berjaya Forest and Genghis. When funds were received from Berjaya Forest and Genghis, Taiga remitted them directly to the CRA. There was no impact to the profit and loss position of Taiga.

LETTER TO SHAREHOLDERS

The agreed price of C\$1.50 was determined after taking into consideration the historical Taiga Share price performance prior to the SPA, the adjusted enterprise value/earnings before interest, tax, depreciation and amortisation (“**EV/EBITDA**”) ratio of the Taiga group for the trailing 12 months period (“**T12M**”) ended 31 December 2017 and a comparison of EV/EBITDA ratios with other listed peers (the “**Comparable Companies**”).

The EV/EBITDA ratio of the Taiga group for the T12M ended 31 December 2017 and a comparison of EV/EBITDA ratios with other Comparable Companies are as follows:

	EV/EBITDA⁽¹⁾⁽²⁾ (times)
Taiga Building Products Ltd	5.4
Comparable Companies	
<u>Listed on TSX</u>	
CanWel Building Materials Group Ltd.	12.7
Goodfellow Inc.	24.2
<u>Listed on the NASDAQ Stock Market</u>	
Huttig Building Products Inc.	54.9
<u>Listed on the New York Stock Exchange</u>	
BlueLinx Holdings Inc.	10.1

Source: Bloomberg L.P., annual reports and financial information of the respective companies.

Notes:

(1) The EV of the respective companies were computed based on (a) their market capitalisation as at 31 December 2017; and (b) their net debt as set out in their respective latest available financials as at 31 December 2017.

(2) The EBITDA of the respective companies were adjusted for exceptional items, where applicable.

The price and historical trading volume of the Taiga Shares for the 1-month period and 3-month period on the TSX immediately prior to 22 March 2018 (being the date of the signing of the SPA) are as follows:

	Volume weighted average price (C\$)	Highest closing price (C\$)	Lowest closing price (C\$)	Total trading volume (No. of Taiga Shares)
Last 1 month	1.4538	1.49	1.44	221,634
Last 3 months	1.4433	1.54	1.38	1,490,741

Source: Bloomberg L.P.

LETTER TO SHAREHOLDERS

The aggregate purchase consideration for the Proposed Acquisitions shall be C\$27,709,209.50 payable to Genghis by a combination of cash in the amount of C\$8,804,120.38 and the issuance of 73,439,000 Consideration Shares at an issue price of S\$0.26 per Consideration Share, and shall be allocated as follows and in the order outlined below:

- (a) firstly, to the Purchased Debt, C\$13,824,049, payable by a combination of cash in the amount of C\$8,786,049.38 and the issuance of 19,570,691 Consideration Shares, having an aggregate value of S\$5,088,379.66 (which shall be equivalent to approximately C\$5,037,999.62 at the agreed exchange rate of C\$1 to S\$1.01);
- (b) secondly, to the Preferred Shares, C\$9,216,100, being C\$1.00 per Preferred Share, payable by the issuance of 35,801,004 Consideration Shares having an aggregate value of S\$9,308,261.04; and
- (c) thirdly, to the Common Shares, C\$4,669,060.50, being C\$466,906.05 per Common Share, payable by the combination of the issuance of 18,067,305 Consideration Shares having an aggregate value of S\$4,697,499.30 and of cash in the amount of C\$18,071, being the Target's retained earnings of C\$18,071 (attributable to such Common Shares) as at 30 June 2018.

The issue price of S\$0.26 for each Consideration Share was agreed between the Parties after taking into consideration the historical Share price performance over the last 1-year prior to and up to the date of the SPA. Please refer to section 7.3.1 of the IFA Letter, which is reproduced in its entirety in **Appendix III** to this Circular, for the historical trading performance of the Shares. The weighted average price of the Shares on 21 March 2018 (being the day immediately preceding the date of SPA) was S\$0.245 per Share.

2.5.2 Source of Funds for the Proposed Acquisitions

The cash component of the purchase consideration for the Proposed Acquisitions is expected to be satisfied from the internal cash flows of the Company and external borrowings.

2.5.3 Conditions Precedent

Closing Date

The Parties shall complete the Proposed Acquisitions on the third Business Day following the satisfaction or waiver of the conditions precedent contained in the SPA or such other day as agreed by the Parties (the "**Closing Date**").

Mutual Conditions

Pursuant to the terms of the SPA, the Parties shall be obliged to complete the Proposed Acquisitions only if *inter alia* the following conditions precedent has been satisfied in full at or before the time of closing on the Closing Date, any of which may be waived by mutual consent of the Parties:

- (a) the Company, in its sole discretion, has been satisfied that the Proposed Acquisitions do not require notification under the Competition Act (Canada), or the approval from the Canadian Competition Bureau has been obtained (if required);

LETTER TO SHAREHOLDERS

- (b) a written consent of Taiga pursuant to a tax indemnity agreement dated 9 March 2015 between Genghis and Taiga to the indirect sale and transfer of the Taiga Shares by Genghis to the Company, and a release by Taiga of the Target from any restriction on the sale or transfer of securities in Taiga and any indemnity and other obligations on the part of the Target in favour of Taiga, and where the consent and release of Taiga is obtained subject to any conditions which may be imposed by Taiga, such conditions being acceptable to the Company and Genghis, acting reasonably;
- (c) the obtaining of any third party consents that may be required by virtue of Taiga's change of control as a result of the Proposed Acquisitions; and
- (d) approval being given and not having been withdrawn by the SGX-ST for the admission to the Main Board of the SGX-ST and the dealing and quotation of the Consideration Shares upon allotment and issue to Genghis or as it may direct and, if there are any conditions attached to such approval, such conditions being reasonably acceptable to the Parties, acting reasonably.

Conditions for the benefit of the Company

Pursuant to the terms of the SPA, the Company shall be obliged to complete the Proposed Acquisitions only if *inter alia* the following conditions precedent has been satisfied in full or waived, as the case may be, at or before the time of closing on the Closing Date:

- (a) the Company has received the approval of the shareholders of the Company approving the Proposed Acquisitions and the issuance and listing of the 73,439,000 Consideration Shares on the SGX-ST in accordance with the laws of the jurisdiction governing its corporate existence and the rules and policies of the SGX-ST;
- (b) where there are any conditions imposed on the Company by the SIC in connection with the Whitewash Resolution, such conditions being acceptable to the Company, acting reasonably;
- (c) where required, approval of the purchase of the Purchased Shares and the Purchased Debt and the issue of the 73,439,000 Consideration Shares by the SGX-ST has been obtained, and where approval from SGX-ST is obtained subject to any conditions which may be imposed by the SGX-ST, such conditions being acceptable to the Company, acting reasonably;
- (d) Genghis has caused to be delivered to the Company or such person as the Company may direct the following:
 - (i) certificates representing the Purchased Shares, accompanied by stock transfer powers duly executed in blank or duly executed instruments of transfer;
 - (ii) an interest waiver agreement between Genghis and the Target, pursuant to which Genghis will waive any and all accrued and unpaid interest on the principal amount of the Purchased Debt (ie since the date that the Purchased Debt was incurred) up to and including the time of closing of the Proposed Acquisitions;

LETTER TO SHAREHOLDERS

- (iii) a debt assignment and assumption agreement among Genghis, the Target and the Company, duly signed by Genghis and the Target, pursuant to which Genghis will assign all its right, title and interest in and to the Purchased Debt to the Company; and
- (iv) such other documentation as the Company reasonably requests on a timely basis in order to establish the completion of the Proposed Acquisitions and the taking of all corporate proceedings in connection with the Proposed Acquisitions, in each case in form and substance satisfactory to the Company, acting reasonably.

Conditions for the benefit of Genghis

Pursuant to the terms of the SPA, Genghis shall be obliged to complete the Proposed Acquisitions only if *inter alia* the following conditions precedent has been satisfied in full or waived, as the case may be, at or before the time of closing on the Closing Date:

- (a) the SIC has granted Genghis and its concert parties, and not having revoked or repealed such grant, a waiver of their obligation to make a mandatory offer under Rule 14 of the Code for the Shares not held by them and their concert parties and from having to comply with the requirements of Rule 14 of the Code arising from the issuance of the 73,439,000 Consideration Shares subject to (i) any conditions that the SIC may impose which are reasonably acceptable to Genghis; and (ii) the Independent Shareholders approving at the EGM the Whitewash Resolution, provided that they and any persons not independent of them, abstain from voting on the Whitewash Resolution at the EGM;
- (b) the Whitewash Resolution has been duly passed at the EGM;
- (c) the Company has caused to be delivered to Genghis or such person as Genghis may direct the following:
 - (i) the debt assignment and assumption agreement among Genghis, the Target and the Company, duly signed by the Company; and
 - (ii) such other documentation as Genghis reasonably requests on a timely basis in order to establish the completion of the Proposed Acquisitions and the taking of all corporate proceedings in connection with the Proposed Acquisitions, in each case in form and substance satisfactory to Genghis, acting reasonably; and
- (d) payment of the aggregate consideration of C\$27,709,209.50.

2.5.4 Supplementary Agreement

On 17 July 2018, the Parties entered into a supplementary agreement (the “**Supplementary Agreement**”), pursuant to which the following terms of the SPA were amended:

- (a) *retained earnings of the Target* – the Parties had entered into the SPA on the premise that the Target had been used solely as a holding company and other than the Taiga Shares (which were funded by the Common Shares, the Preferred Shares and the Purchased Debt), the Target had no other assets or liabilities. Notwithstanding, the Target recorded retained earnings (attributable to the Common Shares) in the amount

LETTER TO SHAREHOLDERS

of C\$18,071 as at 30 June 2018². In light of the foregoing, the Parties have agreed that (i) the aggregate purchase consideration for the Proposed Acquisitions shall include the additional cash amount of C\$18,071, being an amount equivalent to such retained earnings, and (ii) such agreement be recorded in the Supplementary Agreement;

- (b) *number of Taiga Shares which the Target holds* – the SPA has been revised to correct the number of Taiga Shares which the Target holds from 18,460,760 to 18,460,759. This was done to rectify the minor discrepancy in the number of Taiga Shares held by the Target which was discovered after the SPA was entered into; and
- (c) *adjustment to aggregate consideration for the Proposed Acquisitions* – as a result of (b), the aggregate consideration for the Proposed Acquisitions would decrease by C\$1.50. Pursuant to the terms of the SPA (as amended by the Supplementary Agreement), the aggregate purchase consideration for the Proposed Acquisitions shall be C\$27,709,209.50, payable to Genghis by a combination of cash in the amount of C\$8,804,120.38 and the issuance of 73,439,000 Consideration Shares at an issue price of S\$0.26 per Consideration Share. Further details are set out in Section 2.5.1 of this Circular.

2.6 Relative Figures

For illustrative purposes only, the relative figures in relation to the Proposed Acquisitions computed on the applicable bases set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006 of the Listing Manual	Bases	Relative Figures
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable ⁽¹⁾
(b)	The net profits attributable to the assets acquired, compared with the Group's net profits.	16.1% ⁽²⁾
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding Treasury Shares.	13.0% ⁽³⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	8.4% ⁽⁴⁾
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves.	Not applicable ⁽⁵⁾

² Such retained earnings represent an amount equivalent to the total assets less the total liabilities of the Target as at 30 June 2018, excluding the assets and liabilities to be acquired by the Company. The unaudited balance sheet of the Target as at 30 June 2018 is reproduced in section 5.1 of the IFA Letter, which is set out in its entirety in **Appendix III** to this Circular.

LETTER TO SHAREHOLDERS

Notes:–

- (1) Rule 1006(a) is not applicable to an acquisition of assets.
- (2) Under Rule 1002(3)(b) of the Listing Manual, “net profits” means profit or loss before income tax, minority interests and extraordinary items. The net profits attributable to the Taiga Shares being acquired are calculated based on Taiga’s unaudited net profits for the half year ended 30 June 2018, being C\$3,466,000 (equivalent to approximately S\$3,591,000, based on an average exchange rate of C\$1:S\$1.036 for the period from 1 January 2018 to 30 June 2018). The Group announced unaudited net profits of S\$22,375,000 for the half year ended 30 June 2018.
- (3) The Company’s market capitalisation is determined by multiplying the number of shares of the Company in issue excluding Treasury Shares (876,667,121) by the weighted average price of the Shares on 21 March 2018 (being the day immediately preceding the date of the SPA) of S\$0.245 per Share.
- (4) 73,439,000 Consideration Shares will be issued. The Company has an issued and paid-up share capital of 876,667,121 Shares as at the Latest Practicable Date.
- (5) Not applicable, as the Company is not a mineral, oil and gas company.

2.7 The Proposed Acquisitions as an Interested Person Transaction

2.7.1 Details of the Interested Person

Genghis is controlled by a trust of which Tong Kooi Ong, a director of the Company, is the sole beneficiary. Accordingly, Tong Kooi Ong is the beneficial owner of the Purchased Shares.

Genghis, being an associate of Tong Kooi Ong and his son Tong Ian (who is also a director of the Company), is an “interested person” in relation to the Company, and the Company is an “entity at risk” (both terms as defined in Chapter 9 of the Listing Manual). As the Company will be acquiring (i) Genghis’ interest in the Target and (ii) a loan which the Target owes to Genghis, the Proposed Acquisitions will involve a transaction between the Company (as an entity at risk) and Genghis (as an interested person).

For completeness of disclosure, the Company also wishes to disclose that Tong Kooi Ong is a director of Taiga. Tong Ian, is the chairman and a director of Taiga as well.

The Company has obtained a confirmation from Genghis that immediately after the Proposed Acquisitions, Genghis and its concert parties would not have any shareholding interest in Taiga other than through the Group.

2.7.2 Requirement for Shareholders’ Approval

Based on the latest audited consolidated financial statements of the Group for FY2017, the audited consolidated NTA of the Group was approximately S\$215,512,000.³ For the purposes of Rule 906 of the Listing Manual, the value of the Proposed Acquisitions of C\$27,709,209.50 is approximately 13.0% of the latest audited consolidated NTA of the Group. As such, as the value of the Proposed Acquisitions is more than 5% of the latest audited consolidated NTA of the Group, the Proposed Acquisitions are subject to the approval of Shareholders who are independent of Genghis and its associates.

³ Based on the Group’s latest audited financial statements for FY2017, the Group’s NTA attributable to the equity holders of the Company was S\$148,842,000. Accordingly, the value of the Proposed Acquisitions of C\$27,709,209.50 is approximately 18.8% of the audited NTA of the Group (attributable to the equity holders of the Company) as at 31 December 2017.

LETTER TO SHAREHOLDERS

2.7.3 Value of all Interested Person Transactions

Save for the Proposed Acquisitions, there were no transactions with any interested persons in the current financial year as at the Latest Practicable Date.

2.7.4 Advice from the IFA

Pursuant to Chapter 9 of the Listing Manual, Provenance Capital Pte. Ltd. has been appointed as the IFA to advise the Independent Directors in respect of *inter alia* the Proposed Acquisitions. A copy of the IFA Letter is reproduced in **Appendix III** of this Circular. Shareholders are advised to read the IFA Letter carefully.

Overall, based on the IFA's analysis and after having considered carefully the information available to the IFA, the IFA is of the opinion that the Proposed Acquisitions as an interested person transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its Independent Shareholders.

In addition, the IFA is of the view that the terms of the Proposed Acquisitions are fair and reasonable, and the Whitewash Resolution is not prejudicial to the interest of the Independent Shareholders. The IFA has advised the Independent Directors to recommend to the Independent Shareholders to vote in favour of the Whitewash Resolution.

2.7.5 Audit and Risk Management Committee's Statement

As at the Latest Practicable Date, the Audit and Risk Management Committee comprises Gary Ho Kwat Foong, Ng Shin Ein, Ong Pang Liang, Kalimullah Bin Masheerul Hassan and Garson David Lee. The Audit and Risk Management Committee, having reviewed, *inter alia*, the terms, rationale and benefits of the Proposed Acquisitions and after considering the advice of the IFA as set out in **Appendix III** of this Circular, is of the view that the Proposed Acquisitions are on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

2.8 **SGX-ST In-Principle Approval**

On 27 August 2018, the SGX-ST granted its approval in-principle for the listing of and quotation for, on the Official List of the SGX-ST, the Consideration Shares, subject to the following conditions:

- (a) compliance with the listing requirements of the SGX-ST; and
- (b) approval of the independent Shareholders being obtained for the Proposed Acquisitions, the issue of the Consideration Shares and the Whitewash Resolution.

Approval in-principle granted by the SGX-ST to the Company for the listing of and quotation for the Consideration Shares on the SGX-ST is not to be taken as an indication of the merits of the Proposed Transactions, the Consideration Shares, the Company and/or its subsidiaries.

LETTER TO SHAREHOLDERS

3. THE WHITEWASH RESOLUTION

3.1 Shareholding Interests of Genghis and its concert parties in the Company

As at the Latest Practicable Date, Genghis and its concert parties own in aggregate 224,725,000 Shares comprising approximately 25.63% of the Company, and an aggregate of 217,788,900 Warrants. For the purposes of the Code, Genghis, and Tong Kooi Ong and his son, Tong Ian (who is also a director of the Company), are regarded as persons acting in concert in relation to the Company.

3.2 Mandatory Offer Obligation Under the Code

Under Rule 14.1 of the Code, where (a) any person who acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights in a company; or (b) any person who together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights in the company and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1% voting rights, he is required to make a mandatory general offer for all the shares in the company which he does not already own or control.

For illustrative purposes only, the aggregate shareholding interest of Genghis and its concert parties upon completion of the Proposed Acquisitions (and the issuance of the 73,439,000 Consideration Shares to Genghis and assuming no Warrants are exercised), will increase from approximately 25.63% to 31.38% of the enlarged issued share capital of the Company. Accordingly, Genghis and its concert parties will be required under the Code to make a mandatory general offer for the Shares not already owned or controlled by them pursuant to Rule 14.1 of the Code unless such obligation is waived by the SIC and the Whitewash Resolution is approved by the Independent Shareholders at the EGM.

As there is no intention to trigger a mandatory take-over obligation under the Code arising from the Proposed Acquisitions, an application was made to the SIC for a waiver of the obligations of Genghis and its concert parties to make a mandatory general offer for the Company under Rule 14.1 of the Code as a result of the issuance of the 73,439,000 Consideration Shares pursuant to the Proposed Acquisitions.

3.3 Whitewash Waiver

The SIC had on 24 May 2018 granted the Whitewash Waiver, subject to the following conditions (the “**SIC Conditions**”):

- (a) a majority of holders of voting rights of the Company approve at the EGM, before the allotment and issuance of the Consideration Shares, the Whitewash Resolution by way of a poll to waive their rights to receive a general offer from Genghis;
- (b) the Whitewash Resolution is separate from the other resolutions;
- (c) Genghis, parties acting in concert with it and parties not independent of them abstain from voting on the Whitewash Resolution;

LETTER TO SHAREHOLDERS

- (d) Genghis and its concert parties did not acquire or are not to acquire any Shares or instruments convertible into and options in respect of Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Shares which have been disclosed in this Circular):
 - (i) during the period between the announcement of the Proposed Acquisitions and the date Shareholders' approval is obtained for the Whitewash Resolution; and
 - (ii) in the six (6) months prior to the announcement of the Proposed Acquisitions but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed Acquisitions;
- (e) the Company appoints an independent financial adviser to advise its Independent Shareholders on the Whitewash Resolution;
- (f) the Company sets out clearly in this Circular:
 - (i) details of the Proposed Acquisitions, including the allotment and issue of the Consideration Shares;
 - (ii) the dilution effect of the allotment and issue of the Consideration Shares to Genghis on the existing holders of voting rights;
 - (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by Genghis and its concert parties as at the Latest Practicable Date;
 - (iv) the number and percentage of voting rights to be acquired by Genghis upon the issue of the Consideration Shares;
 - (v) that Shareholders, by voting for the Whitewash Resolution, are waiving their rights to a general offer from Genghis at the highest price paid by Genghis and its concert parties in the six (6) months preceding the commencement of such offer;
- (g) this Circular states that the waiver granted by SIC to Genghis from the requirement to make a general offer under Rule 14 of the Code is subject to the conditions stated at sub-paragraphs (a) to (f) above;
- (h) the Company obtains SIC's approval in advance for those parts of this Circular that refer to the Whitewash Resolution; and
- (i) to rely on the Whitewash Resolution, the allotment and issue of the Consideration Shares to Genghis pursuant to the Proposed Acquisitions must be completed within three (3) months of the approval of the Whitewash Resolution.

As at the Latest Practicable Date, save for conditions (a), (c), (d)(i) and (i), all the other conditions imposed by the SIC set out above have been satisfied.

LETTER TO SHAREHOLDERS

3.4 Potential Dilution

As a result of the Proposed Acquisitions, the collective shareholding interests of the Independent Shareholders in the Company will be diluted.

Before the Proposed Acquisitions

	Assuming no Warrants are exercised	
	No. of Shares	Percentage of issued share capital⁽¹⁾
Genghis and its concert parties	224,725,000	25.63
Independent Shareholders	651,942,121	74.37
Total	876,667,121	100.00

Note:

(1) The percentages are computed based on the Company's issued share capital of 876,667,121 Shares as at the Latest Practicable Date.

After the Proposed Acquisitions

	Assuming no Warrants are exercised immediately following Completion		Assuming all Warrants are exercised immediately following Completion		Assuming only Genghis and/or its concert parties exercises their Warrants immediately following Completion	
	No. of Shares	Percentage of issued share capital	No. of Shares	Percentage of issued share capital	No. of Shares	Percentage of issued share capital
Genghis and its concert parties	298,164,000	31.38	515,952,900	28.88	515,952,900	44.18
Independent Shareholders	651,942,121	68.62	1,270,820,342	71.12	651,942,121	55.82
Total	950,106,121	100.00	1,786,773,242	100.00	1,167,895,021	100.00

3.5 Whitewash Resolution

Independent Shareholders are requested to vote by way of a poll, on the Whitewash Resolution, waiving their rights to receive a general offer from Genghis for the remaining Shares not already owned or controlled by them.

3.6 Advice to Independent Shareholders

Independent Shareholders should note that by voting for the Whitewash Resolution, they are waiving their rights to a general offer from Genghis at the highest price paid by Genghis and its concert parties for the Shares in the six (6) months preceding the commencement of such offer.

LETTER TO SHAREHOLDERS

4. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITIONS

The financial effects of the Proposed Acquisitions on the Group set out below are for illustrative purposes only and are neither indicative of the actual financial effects of the Proposed Acquisitions on the NTA per Share and the EPS, nor do they represent the actual financial position and/or results of the Group immediately after the completion of the Proposed Acquisitions.

The financial effects of the Proposed Acquisitions have been prepared based on the following assumptions:

- (a) the financial effects of the Proposed Acquisitions have been computed based on the audited consolidated financial statements of the Group for FY2017 and on Taiga's audited consolidated financial statements for the financial year ended 31 March 2017 and the audited consolidated financials for nine-month period ended 31 December 2017 and the relevant financial period used for the computations is from 1 January 2017 to 31 December 2017;
- (b) for the purpose of computing the financial effects of the Proposed Acquisitions on the NTA per Share, the Proposed Acquisitions are assumed to have been completed on 31 December 2017; and
- (c) for the purpose of computing the financial effects of the Proposed Acquisitions on the EPS, the Proposed Acquisitions are assumed to have been completed on 1 January 2017.

EPS

	Before the Proposed Acquisitions	After the Proposed Acquisitions
Net profit attributable to the shareholders of the Company (S\$'000)	16,340	20,644 ⁽¹⁾
Number of Shares	867,352,053	940,791,053
EPS (cents)	1.88	2.19

Note:

- (1) The figure has incorporated a pro-forma restatement of Taiga's income statement assuming the Taiga Notes Restructuring was completed on 1 January 2017. The figure also excludes the one-off non-cash loss of C\$18.6 million for the settlement of debt pursuant to the Taiga Notes Restructuring recorded in Taiga's income statement. The loss arose from the accounting treatment of the difference between the market price per Taiga Share of C\$1.42 on 17 November 2017 after the Taiga Notes Restructuring and the implied "issue" price of C\$1.20 per Taiga Share in the Taiga Notes Restructuring, based on the exchange ratio of 833 Taiga Shares for every C\$1,000 principal amount of Old Taiga Notes.

LETTER TO SHAREHOLDERS

NTA per Share

	Before the Proposed Acquisitions	After the Proposed Acquisitions
NTA attributable to the shareholders of the Company (S\$'000)	148,842	160,017
Number of Shares	876,667,121	950,106,121
NTA per Share (cents)	16.98	16.84

Gearing

For illustrative purposes only, the effect of the Proposed Acquisitions on the gearing ratio of the Group for FY2017, assuming that the Proposed Acquisitions had been effected at the end of the financial year are as follows:

	Before the Proposed Acquisitions	After the Proposed Acquisitions
Net Debt ⁽¹⁾ (S\$'000)	103,802	113,159
Total Capital ⁽²⁾ (S\$'000)	215,512	206,155
Gearing (times)	0.48	0.55

Notes:

- (1) Net debt is calculated as bank borrowings plus finance lease liabilities, subordinated notes and revolving credit facility less cash and cash equivalents. The cash consideration will be funded by internal funds and/or bank borrowings.
- (2) Total capital is calculated as total equity less intangible assets.

5. THE PROPOSED DIVERSIFICATION

The Directors also propose to seek the approval of Shareholders for the proposed diversification of the Group's business at the EGM to include the following:

- (a) engaging in financial investment activities as principal, such as investment in quoted and/or unquoted securities, providing seed and mezzanine capital to private companies with growth potential, undertaking business incubation and angel investments; and
- (b) other strategic investments undertaken by the Company and/or its subsidiaries, (collectively, the "**Investment Business**").

LETTER TO SHAREHOLDERS

5.1 Existing business of the Group

The principal activities of the Company are investment holding and providing management services. As at the Latest Practicable Date, the Group is a 49.2% shareholder in Taiga, which is a public company incorporated in Canada and has been listed on the TSX since 1993. The Group is also engaged in the manufacturing and the selling of paper and paper/packaging products and is involved in a gas generating power plant project in Yangon (Ywama) Myanmar, to supply electricity to the national grid.

As at the Latest Practicable Date, the significant subsidiaries of the Group which are involved in the existing businesses of the Group and their principal activities are as follows:

Name of Subsidiary	Country of Incorporation/ Registration	Effective Interest held by the Group	Principal Activities
Taiga Building Products Ltd.	Canada	49.2%	Wholesale distributor of building materials
UPP Industries Pte. Ltd.	Singapore	100%	Investment holdings and rental and management of properties
UPP Greentech Pte. Ltd.	Singapore	100%	Investment holding
Avarga Investment Pte. Ltd. (formerly known as UPP Investment Pte. Ltd.)	Singapore	100%	Investment holding
UPP Pulp & Paper (M) Sdn. Bhd.	Malaysia	100%	Manufacturing and selling of paper products
Avarga (M) Sdn. Bhd. (formerly known as UPP Capital (M) Sdn. Bhd.)	Malaysia	100%	Regional office
UPP Power (Myanmar) Limited	Myanmar	100%	Design, operate and maintain power plants for electricity generation and sell the electricity produced to the Myanmar government
Avarga Canada Limited (formerly known as UPP Investments Canada Limited)	Canada	100%	Investment holding
UPP Investments Luxembourg S.à.r.l.	Luxembourg	100%	Investment holding

LETTER TO SHAREHOLDERS

5.2 Rationale for the Proposed Diversification

Notwithstanding the risks associated with the Investment Business set out in Section 5.7 of this Circular, the Board believes that the Proposed Diversification is in the interests of the Company and the Shareholders for the following reasons:

- (a) the Directors believe that the Investment Business will provide new income streams for the Group which may include, *inter alia*, possible capital gains and recurring dividend income from its investments in quoted and/or unquoted securities. This will enable the Group to enhance its profitability, shareholder value and returns and improve its growth prospects;
- (b) while the Group will continue to pursue sustainable growth strategies to strengthen and grow its existing businesses, the Group's exploration of other growth areas will facilitate the Group's quest for sustained performance in the future. Given the uncertainties prevailing in the current global economic outlook (such uncertainties including, but not limited to, changes in trade and economic policies and rising geopolitical tensions), the Group believes it is more prudent to not rely solely on its existing businesses. The inclusion of the Investment Business will provide the Group with a more diversified business and income base for future growth and reduce the Group's reliance on its existing businesses for its revenue stream;
- (c) the Proposed Diversification will place the Group in a better position to capitalise on the growth prospects of both Singapore and overseas markets. The Group aims to take advantage of the opportunities in these markets by investing in investee companies which operate in these markets. Capitalising on the aforementioned opportunities may enhance the performance of the Group's Investment Business and thereby strengthen the Group's turnover and profit, as well as enhance shareholder value and returns; and
- (d) upon approval by the Shareholders of the Proposed Diversification, the Group may, subject to the conditions disclosed in Section 5.6 of the Circular, in the ordinary course of business, enter into transactions relating to the Investment Business that do not change the Group's risk profile without having to seek Shareholders' approval. This will eliminate the need for the Company to convene separate general meetings on each occasion to seek Shareholders' approval as and when potential transactions relating to any of the Investment Business arise. It is envisaged that the Proposed Diversification will give the Group flexibility to pursue business opportunities which may be time-sensitive in nature, and substantially reduce the expenses associated with the convening of general meetings from time to time.

5.3 The Investment Business

The Group aims to continue growing its existing businesses and will venture into the Investment Business prudently, with a view to enhancing shareholder value over the long-term and achieving long-term growth. The Group intends that the Investment Business will be engaged on a prudent basis with discretion, and will set appropriate risk and return objectives.

LETTER TO SHAREHOLDERS

The Investment Business is expected to include financial investment activities such as investing in quoted and/or unquoted securities, providing seed and mezzanine capital to companies, and undertaking business incubation and angel investments. It is envisioned that the revenue for the Investment Business will be largely derived from capital gains and dividend income from the Group's investments in quoted and/or unquoted securities of the investee companies.

The Group intends that the investment portfolio of the Investment Business will relate to investments in shares of public companies which are listed on major stock exchanges worldwide, as these types of quoted equity securities tend to possess greater liquidity and investments in private companies with growth potential and/or in niche markets. The Group may also engage in other investments, such as providing seed and mezzanine capital to private companies, and undertaking business incubation and angel investing, as and when the opportunity presents itself.

The Group will not restrict itself to any particular business sector, industry or country but will consider any business sector, industry or country that presents growth opportunities for the Group. However, the Group will evaluate each investment based on the projected rate of return, the cost of investment, risk of investment and the risk-reward ratio. It will consider factors such as the quality of the investee's management team, potential of the revenue and profit growth, industry growth potential, the uniqueness of the product or service offerings, and the potential of the investee being an innovation leader.

The Group may also collaborate with external consultants and/or advisors for the Investment Business. These collaborations may be on a profit-sharing basis, fee-based, or on such other terms acceptable to the Group. The Group will take into consideration various factors such as the adequacy of the Group's working capital, industry norms and the projected returns on equity, in agreeing on terms with the external consultants and/or advisors.

To assist it in undertaking the Investment Business more effectively and efficiently, the Group may also enter into joint ventures, partnerships and/or strategic alliances with third parties, including interested persons (as defined under the Listing Manual), and seek to build its expertise and capabilities in the field.

In the event that the Group proposes to enter into a joint venture, partnership or strategic alliance with an interested person (as defined under the Listing Manual), the Company will comply with the relevant provisions of Chapter 9 of the Listing Manual.

5.4 Management of the Investment Business

The Investment Business will be overseen by the Board, and it is worth noting that the Board and senior management of the Group comprise individuals with varied qualifications and experience who can and will provide strategic vision and policy on the Investment Business. In particular, Tong Kooi Ong, Khoo Hsien Ming Kevin and Tong Ian will be largely responsible for managing the Investment Business.

Tong Kooi Ong, the Executive Chairman and Chief Executive Officer of the Company, has been and is responsible for overseeing the Group's overall direction and management of the Group's strategic development and expansion plans for the past six (6) years. He has business interests in media, property development, digital technologies and other businesses in Singapore, Malaysia and Canada, and holds a Bachelor of Arts in Business

LETTER TO SHAREHOLDERS

Administration and a Master of Arts in Economics and Finance from Simon Fraser University, Canada. Khoo Hsien Ming Kevin, an Executive Director of the Company, is responsible for identifying and evaluating new investment opportunities, as well as strategic planning for the Group. He has extensive management and operations experience, particularly in equities research, media and banking, and holds a Bachelor of Commerce degree from the University of Melbourne. Tong Ian, an Executive Director of the Company, currently oversees the Group's interests in Taiga. He holds a Bachelor of Arts in Sociology from Trinity Western University and a Masters in Management from Sauder School of Business, University of British Columbia, Canada.

In making their investment decisions, the Board will, where necessary and appropriate, seek the advice of reputable external consultants and experts. The Group will monitor developments and progress in the Investment Business and take the necessary steps to identify suitable candidates both from and within the Group as well as externally to manage the Investment Business to take it forward as and when required.

The Board and the Audit and Risk Management Committee will adopt internal policies and procedures (which will include the Company's investment objectives, investment strategies or approach, and investment restrictions and guidelines) to evaluate each investment and ensure there are sufficient safeguards in place to manage risk, as and when required. Where necessary, the Board and the Audit and Risk Management Committee will seek the advice of reputable financial advisors and/or other experts.

The Board will set certain predetermined criteria in relation to the projected rate of return, the potential costs involved and the profit margins for investments valued at different threshold amounts (the "**Investment Criteria**"). Upon approval by the Board, the management of the Group will then be authorised to perform all acts and take all measures necessary and required to implement the respective investment.

The Board will review and evaluate the performance of each investment on a regular basis. Based on the foregoing, the Board will then conduct a review and assessment of the adequacy and effectiveness of the Investment Criteria if necessary and propose changes to the Investment Criteria.

Upon Shareholders' approval of the Proposed Diversification, the Group may also employ other experienced professionals possessing relevant and appropriate expertise to assist with operations for the Investment Business. The Directors and management will evaluate the manpower and expertise required for the Investment Business on an ongoing basis, and the Group may employ additional employees and/or seek the advice of external consultants and experts. In selecting partners and/or professionals, the Group will take into account, *inter alia*, their relevant expertise, experience and track records.

5.5 Funding for the Proposed Diversification

The Group intends to fund the Investment Business through a combination of internal resources, external borrowings and to tap the capital markets (including but not limited to, rights issues, share placements and/or issuance of debt instruments) as and when necessary and appropriate.

In addition, should suitable opportunities arise, the Company may enter into joint ventures or strategic alliances with other reputable parties to reduce risks and/or to share the burden of the required funding.

LETTER TO SHAREHOLDERS

5.6 Requirements under the Listing Manual

Pursuant to Practice Note 10.1 of the Listing Manual, Shareholders' approval is not required if a transaction will result in an expansion of an issuer's existing core business, unless such transaction changes the issuer's risk profile.

As the Proposed Diversification will result in (i) an expansion of the Group's business to new business sector(s); and (ii) an expansion to new geographical market(s), it is envisaged that the Proposed Diversification may change the Group's risk profile. Accordingly, the Directors propose to convene an EGM to seek Shareholders' approval for the Proposed Diversification.

Upon approval by the Shareholders of the Proposed Diversification, the Group may, in the ordinary course of business, enter into transactions relating to the Investment Business that will not change the Group's risk profile, without having to seek Shareholders' approval, notwithstanding that any relative figure(s) under Rule 1006 of the Listing Manual exceeds 20%.

For the avoidance of doubt, notwithstanding approval by the Shareholders of the Proposed Diversification, where:

- (a) the Group enters into the first major transaction relating to the Investment Business which would result in the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeding 20%, the Company will consult with the SGX-ST on the need for obtaining the approval of Shareholders;
- (b) the Group enters several transactions relating to the Investment Business (the "**Aggregated Transactions**") which, when aggregated over the course of a rolling 12-month period, would result in the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeding 20%, the Company will consult with the SGX-ST on the need for obtaining the approval of Shareholders;
- (c) in respect of an acquisition of assets, any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual is 100% or more, or such acquisition will result in a change of control of the issuer, Chapter 10 of the Listing Manual (including Rule 1015) will continue to apply to any such acquisition, which must be made conditional upon the approval of, *inter alia*, Shareholders;
- (d) a transaction constitutes an interested person transaction (as defined under the Listing Manual), Chapter 9 of the Listing Manual will continue to apply to any such transaction; and
- (e) in light of Practice Note 10.1 of the Listing Manual, if a transaction changes the risk profile of the Company, Shareholders' approval may be sought for such transaction.

5.7 Risk Associated with the Investment Business

To the best of the Directors' knowledge and belief, all the risk factors that are material to the Shareholders in making an informed judgment on the Proposed Diversification are set out below. Shareholders should carefully consider and evaluate the following factors and all other information contained in this Circular before deciding on whether to vote in favour of the Proposed Diversification.

LETTER TO SHAREHOLDERS

The Investment Business could be affected by a number of risks which relate to the industries and countries in which the Investment Business is undertaken as well as those which may generally arise from, *inter alia*, economic, business, market and political factors, including the risks set out herein. The risks described below are not intended to be exhaustive. There may be additional risks not presently known to the Company or that the Company may currently deem immaterial, which could affect its operations. If any such risks develop into actual events, the business, results of operations, financial condition and prospects of the Group could be materially and adversely affected.

The performance of the Group's investments may be adversely affected by macro and micro-economic factors

Given that the Group's investment activities will involve investments in listed and unlisted companies, the Group's investment activities may be affected by adverse movements in the share prices of or any changes in the business, operations and/or financial performance of the investee companies. These adverse movements or changes may be due to macro-economic factors (such as those described below) or micro-economic factors that relate specifically to the business operations of the investee companies.

Changes in general economic, political and social conditions may adversely affect the investee companies

The businesses of the investee companies will be subject to the prevailing economic, political and social conditions in the markets and/or countries in which they operate. The business, earnings, asset values, prospects and valuations of the investee companies may be materially and/or adversely affected by developments with respect to inflation, interest rates, currency fluctuations, government policies, price and wage controls, exchange control regulations, taxation, expropriation, social instability and other political, economic or diplomatic developments in or affecting the countries in which the investee companies operate. There is also no assurance that the governments of the countries in which the investee companies operate in will not make any changes to government policies, which could adversely affect such companies' financial positions, results of operations or prospects.

The Group's investments in unlisted companies may potentially be illiquid

The Group may invest in unlisted companies and there may be limited avenues available to the Group to divest investments in unlisted entities. Accordingly, the Group could incur greater investment realisation risks than investments in listed securities. One avenue to realise investments in unlisted companies is by way of an initial public offering; however there can be no assurance that all or any of the investee companies would be able to comply with or meet the requirement(s) necessary to achieve an initial public offering. Even if the investee companies are able to undertake an initial public offering, the securities held by the Group may be subject to certain restrictions, including the requirement to retain a certain level of shareholding in the investee company for a certain period of time. There can be no assurance that the Group will be able to successfully realise its investments in unlisted companies by way of an initial public offering or otherwise.

LETTER TO SHAREHOLDERS

Investments in entities which may be in the early stages of development may entail a higher degree of risk

The Group may invest in the quoted and/or unquoted securities of companies with high growth potential but which are in the early stages of development. While investments in these companies may present greater opportunities for growth, they may also involve greater business risks than are customarily associated with more established companies, and there can be no assurance that the Group may be able to reap its envisaged or any returns, or that the original investment amounts will not be written off partially or in entirety. Given the nature of such investments, the Company will regularly assess the financial and operational performance of such investee companies.

Limited ability to influence or exercise management control over the investee companies may affect performance of investments and reputation of the Group

Although the Group may seek to take an active role in investee companies by participating at the board level, it does not presently intend to become actively involved with the day-to-day management of any investee company. Additionally, where the Group takes a strategic but non-controlling stake in an investee company, it will have limited control or influence in terms of day-to-day operations.

Accordingly, the mismanagement, if any, of any investee company may be beyond the control of the Group. Such mismanagement may adversely affect the financial performance of the investee company, which may in turn affect the returns on the Group's investments. The impact of any negative publicity or announcements relating to management of an investee company may also adversely affect the Group's reputation, whether or not justified, and ultimately the value of the Shares.

The Group's success in the Investment Businesses depends on the Group's ability to attract highly skilled personnel

The Group's success in the Investment Business depends in part on its ability to attract, motivate, train and retain skilled employees and professionals to identify new investment opportunities and to actively add value to the investments through participation at the board level of the investee companies. If the Group is unable to attract, motivate and/or retain the necessary personnel, there may be a material adverse effect on the Group's business, growth prospects, fee income, results of operations and/or financial condition.

The Group's investment activities may be subject to risks due to fluctuations in foreign exchange rates

To the extent that the investee companies may be located in different geographic jurisdictions and the investments may be denominated in currencies other than Singapore dollars, the Group's investments may be adversely affected by fluctuations in foreign exchange rates, and such fluctuations may be unpredictable.

The Group's investment activities may be subject to risks due to fluctuations in interest rates

To the extent that the Group obtains borrowings for investments or other purposes and the borrowings are at floating rates of interest, the cost of servicing such debt will increase if the interest rates for the borrowings increase significantly. Any significant increase in interest rates may adversely impact the performance of the Group's investment activities if borrowings are made under floating rates of interest.

LETTER TO SHAREHOLDERS

The Group may not be able to hedge effectively against certain risks

The Group may, from time to time, undertake various transactions (such as transacting in options and warrants, or entering into futures contracts) to hedge its foreign exchange exposure and interest rate exposure. There can be no assurance that the Group will be able to hedge successfully or effectively against such exposures and the Group may incur losses therefrom.

6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in Section 2.7 of the Circular, none of the Directors or Controlling Shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisitions.

The shareholdings of the Directors and Substantial Shareholders as recorded in the Register of Directors' Shareholdings and Register of Substantial Shareholders as at the Latest Practicable Date were as follows:

	Number of Shares				Number of Shares comprised in Warrants
Directors	Direct Interest	Deemed Interest	Total Interest	%	
Tong Kooi Ong	Nil	221,925,000	221,925,000	25.31	216,088,900
Koh Wan Kai	Nil	Nil	Nil	Nil	Nil
Khoo Hsien Ming Kevin	Nil	Nil	Nil	Nil	Nil
Tong Ian	Nil	2,800,000	2,800,000	0.32	1,700,000
Gary Ho Kuat Foong	Nil	Nil	Nil	Nil	Nil
Ng Shin Ein	671,400	Nil	671,400	0.08	Nil
Kalimullah Bin Masheerul Hassan	Nil	30,000,000	30,000,000	3.42	30,000,000
Ong Pang Liang	5,000,000	Nil	5,000,000	0.57	5,000,000
Garson David Lee	Nil	1,300,000	1,300,000	0.15	1,300,000
Substantial Shareholders					
Tong Kooi Ong	Nil	221,925,000	221,925,000	25.31	216,088,900
Lim Eng Hock	183,246,925	Nil	183,246,925	20.90	183,246,925

Note:

(1) As a percentage of the total number of issued Shares as at the Latest Practicable Date, comprising 876,667,121 Shares (excluding Treasury Shares).

7. DIRECTORS' RECOMMENDATIONS

7.1 Proposed Acquisitions as an Interested Person Transaction

Tong Kooi Ong and Tong Ian have abstained from making a recommendation to the Shareholders in respect of the Proposed Acquisitions in light of them being associates of Genghis (see Section 2.7 of the Circular).

LETTER TO SHAREHOLDERS

The members of the Audit and Risk Management Committee of the Company, comprising Gary Ho Kuat Foong, Ng Shin Ein, Ong Pang Liang, Kalimullah Bin Masheerul Hassan and Garson David Lee having reviewed and deliberated, *inter alia*, the rationale, terms and financial effects of the Proposed Acquisitions and the advice of the IFA, are satisfied that the Proposed Acquisitions are not prejudicial to the interests of the Company and its minority Shareholders, and recommend that Shareholders vote in favour of the Ordinary Resolution 1 relating to the Proposed Acquisitions as set out in the notice of EGM on pages 84 to 86 of this Circular.

The Directors having considered, *inter alia*, the recommendation of the Audit and Risk Management Committee of the Company and the terms, the financial effects and the rationale of the Proposed Acquisitions and after discussion with the management of the Company, are of the opinion that the Proposed Acquisitions are in the interests of the Company and the Shareholders. Accordingly, the Directors, save for Tong Kooi Ong and Tong Ian, recommend that Shareholders vote in favour of the Ordinary Resolution 1 relating to the Proposed Acquisitions as set out in the notice of EGM on pages 84 to 86 of this Circular.

7.2 Whitewash Resolution

Tong Kooi Ong and Tong Ian (who are concert parties of Genghis (see Section 2.7 of this Circular)) will abstain as Directors from making a recommendation to the Shareholders in respect of the Whitewash Resolution.

The Independent Directors having considered, *inter alia*, the rationale for the Proposed Acquisitions and the advice of the IFA, are of the opinion that the Whitewash Resolution is in the interests of the Company and is not prejudicial to the interests of the Independent Shareholders. Accordingly, they recommend that the Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the EGM.

The Independent Directors wish to add that this resolution is an ordinary resolution and requires a majority of the Independent Shareholders present and voting at the EGM by way of a poll to approve the same.

7.3 Proposed Diversification

Having considered, *inter alia*, the rationale for the Proposed Diversification, the Directors are of the opinion that the Proposed Diversification is in the interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the ordinary resolution relating to the Proposed Diversification to be proposed at the EGM.

8. INTER-CONDITIONALITY OF RESOLUTIONS

Shareholders should note that the Ordinary Resolution 1 (the Proposed Acquisitions) is subject to and contingent upon Ordinary Resolution 2 (the Whitewash Resolution) being passed and *vice versa*. This means that if Ordinary Resolution 1 is not passed, Ordinary Resolution 2 would not be passed. Similarly, if Ordinary Resolution 2 is not passed, the Proposed Acquisitions would not take place.

LETTER TO SHAREHOLDERS

9. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 84 to 86 of this Circular, will be held at Room 503, Level 5, RELC International Hotel, 30 Orange Grove Road, Singapore 258352 on 28 September 2018 at 10.30 a.m. for the purpose of considering and, if thought fit, passing the Ordinary Resolutions set out in the notice of EGM on pages 84 to 86 of this Circular.

10. ACTION TO BE TAKEN BY SHAREHOLDERS

10.1 Appointment of Proxies

Shareholders who are unable to attend the EGM and who wish to appoint a proxy or proxies to attend and vote at the EGM on their behalf, will find attached to this Circular a Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the office of the Company's share registrar, M & C Services Private Limited at 112 Robinson Road #05-01, Singapore 068902 not less than 72 hours before the time fixed for the EGM. The completion and return of the Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM if he so wishes.

10.2 When Depositor regarded as Shareholder

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register as certified by CDP not less than 72 hours before the time fixed for the EGM.

11. ABSENTION FROM VOTING

As the Proposed Acquisitions is an interested person transaction (see Section 2.7 of the Circular), Genghis and/or its associates (which shall include Tong Kooi Ong and Tong Ian) shall abstain from voting in respect of Ordinary Resolution 1 (the Proposed Acquisitions).

Genghis and/or parties acting in concert with it (which shall include Tong Kooi Ong and Tong Ian) and parties not independent of them will abstain from voting on the Resolution 2 (the Whitewash Resolution) at the EGM. Genghis and/or its concert parties will also not accept nominations to act as proxy, corporate representatives or attorney to vote in respect of all the resolutions set out in the notice of EGM unless the Shareholders appointing them have indicated clearly how votes are to be cast in respect of all the resolutions.

12. CONSENT

The IFA has given and has not before the date of this Circular withdrawn its written consent to the issue of this Circular with the inclusion of its name, the IFA Letter and all references thereto, in the form and context in which they appear in this Circular.

LETTER TO SHAREHOLDERS

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in the Circular misleading. Where information in the Circular 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 the Circular in its proper form and context.

Yours faithfully

For and on behalf of the Board of Directors of
Avarga Limited

Tong Kooi Ong
Executive Chairman and Chief Executive Officer

**APPENDIX I – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) OF TAIGA**

Taiga Building Products Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three months and six months ended June 30, 2018 and 2017
(in Canadian dollars)

APPENDIX I – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) OF TAIGA

NOTICE TO SHAREHOLDERS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of Taiga Building Products Ltd. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

APPENDIX I – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) OF TAIGA

TAIGA BUILDING PRODUCTS LTD.

Condensed Consolidated Balance Sheets (Unaudited)

<i>(in thousands of Canadian dollars)</i>	June 30, 2018	June 30, 2017	December 31, 2017
Assets			
Current:			
Accounts receivable	\$ 200,162	\$ 167,147	\$ 106,839
Inventories (Note 4)	151,093	136,348	123,288
Prepaid expenses	2,458	2,045	2,204
	353,713	305,540	232,331
Property, plant and equipment	38,481	39,175	38,324
Deferred tax assets	707	1,635	174
	<u>\$ 392,901</u>	<u>\$ 346,350</u>	<u>\$ 270,829</u>
Liabilities and Shareholders' Equity			
Current:			
Revolving credit facility (Note 5)	\$ 139,283	\$ 111,443	\$ 54,723
Accounts payable and accrued liabilities	92,645	82,759	73,578
Income taxes payable	9,261	5,846	4,365
Current portion of long-term debt	942	253	1,019
Current portion of finance lease obligation	2,404	2,219	2,338
	244,535	202,520	136,023
Long-term debt	-	928	-
Finance lease obligation (Note 11)	21,451	23,226	22,380
Deferred gain	2,910	3,304	3,102
Deferred tax liabilities	-	-	199
Provisions	716	1,209	787
Subordinated notes (Note 7)	12,500	128,834	12,500
	282,112	360,021	174,991
Shareholders' Equity:			
Share capital (Note 8)	132,340	13,229	133,090
Accumulated other comprehensive income (Note 8)	7,297	5,881	4,744
	139,637	19,110	137,834
Deficit	(28,848)	(32,781)	(41,996)
	110,789	(13,671)	95,838
	<u>\$ 392,901</u>	<u>\$ 346,350</u>	<u>\$ 270,829</u>

The accompanying notes are an integral part of these consolidated financial statements.

APPENDIX I – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) OF TAIGA

TAIGA BUILDING PRODUCTS LTD.

Condensed Consolidated Statements of Earnings and Comprehensive Income (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
<i>(in thousands of Canadian dollars, except per share amounts)</i>	2018	2017	2018	2017
Sales	\$ 422,875	\$ 379,761	\$ 747,472	\$ 665,813
Cost of sales	383,447	346,084	677,286	607,972
Gross margin	39,428	33,677	70,186	57,841
Expenses:				
Distribution	6,012	5,480	11,895	11,200
Selling and administration	18,558	15,081	33,138	27,125
Finance (Note 9)	1,700	1,379	3,015	2,886
Subordinated debt interest (Note 7)	219	4,509	399	9,019
Other income	(104)	(84)	(200)	(325)
	26,385	26,365	48,247	49,905
Earnings before income tax	13,043	7,312	21,939	7,936
Income tax expense (Note 6)	6,685	2,283	8,791	2,658
Net earnings for the period	\$ 6,358	\$ 5,029	\$ 13,148	\$ 5,278
Other comprehensive income (loss) for the period (Item that may be reclassified to net earnings)				
Exchange differences on translating foreign controlled entities	\$ 1,116	\$ (829)	\$ 2,553	\$ (1,152)
Total comprehensive income for the period	\$ 7,474	\$ 4,200	\$ 15,701	\$ 4,126
Basic and diluted net earnings per common share	\$ 0.05	\$ 0.16	\$ 0.11	\$ 0.05
Weighted average number of common shares outstanding	116,573	32,414	116,696	32,414

The accompanying notes are an integral part of these consolidated financial statements.

**APPENDIX I – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) OF TAIGA**

TAIGA BUILDING PRODUCTS LTD.

**Condensed Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)**

For the six months ended June 30, 2017

<i>(in thousands of Canadian dollars)</i>	Share Capital	Deficit	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2016	\$ 13,229	\$ (38,059)	\$ 7,033	(17,797)
Net earnings	-	5,278	-	5,278
Other comprehensive loss	-	-	(1,152)	(1,152)
Balance at June 30, 2017	\$ 13,229	\$ (32,781)	\$ 5,881	\$ (13,671)

For the six months ended June 30, 2018

<i>(in thousands of Canadian dollars)</i>	Share Capital	Deficit	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2017	\$ 133,090	\$ (41,996)	\$ 4,744	\$ 95,838
Net earnings	-	13,148	-	13,148
Treasury Stock	(750)	-	-	(750)
Other comprehensive income	-	-	2,553	2,553
Balance at June 30, 2018	\$ 132,340	\$ (28,848)	\$ 7,297	\$ 110,789

The accompanying notes are an integral part of these consolidated financial statements.

**APPENDIX I – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) OF TAIGA**

TAIGA BUILDING PRODUCTS LTD.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
<i>(in thousands of Canadian dollars)</i>	2018	2017	2018	2017
Cash provided by (used in):				
Operating:				
Net earnings	\$ 6,358	5,029	\$ 13,148	\$ 5,278
Adjustments for non-cash items				
Amortization	1,166	1,080	2,294	2,223
Income tax expense	6,685	2,283	8,791	2,658
Mark-to-market adjustment on financial instruments	200	(152)	135	(71)
Change in provisions	(22)	(48)	(71)	(276)
Gain on asset disposal	(9)	-	(9)	(146)
Amortization of deferred gain	(96)	(85)	(192)	(180)
Finance and subordinated debt interest expense	1,919	5,888	3,414	11,905
Interest paid	(470)	(1,304)	(1,775)	(2,632)
Income tax paid	(3,023)	(1,467)	(3,061)	(1,664)
Changes in non-cash working capital (Note 12)	(33,009)	(16,817)	(102,771)	(70,917)
Cash flows from operating activities	(20,301)	(5,593)	(80,097)	(53,822)
Investing:				
Purchase of property, plant and equipment	(938)	(185)	(1,752)	(1,087)
Proceeds from disposition of property, plant and equipment	18	629	18	906
Cash flows used in investing activities	(920)	444	(1,734)	(181)
Financing:				
Repayment of long-term debt	(63)	(66)	(125)	(130)
Repayment of obligations under finance leases	(589)	(548)	(1,169)	(1,073)
Subordinated notes interest paid	(434)	(4,509)	(434)	(9,019)
Purchase of treasury stock	(750)	-	(750)	-
Cash flows used in financing activities	(1,836)	(5,123)	(2,478)	(10,222)
Effect of changes in foreign currency on Revolving Credit Facility	(212)	195	(251)	202
Net increase in Revolving Credit Facility	(23,269)	(10,077)	(84,560)	(64,023)
Revolving Credit Facility, beginning	(116,014)	(101,366)	(54,723)	(47,420)
Revolving Credit Facility, ending	\$ (139,283)	\$ (111,443)	\$ (139,283)	\$ (111,443)

The accompanying notes are an integral part of these consolidated financial statements.

APPENDIX I – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) OF TAIGA

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2018 and 2017 (in Canadian dollars)

1. Nature of Operations

Taiga Building Products Ltd. ("Taiga" or the "Company") is an independent wholesale distributor of building products in Canada and the United States. Taiga operates within two reportable geographic areas, Canada and the United States. The Company's shares are listed for trading on the Toronto Stock Exchange.

Taiga is a Canadian corporation and its registered and records office is located at 1000 Cathedral Place, 925 West Georgia Street, Vancouver, British Columbia, Canada V6C 3L2.

2. Basis of Preparation

(a) Statement of Compliance

These condensed interim consolidated financial statements (the "Financial Statements") are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Therefore, these financial statements comply with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*.

These Financial Statements follow the same accounting policies and methods of application as our most recent annual financial statements, save for the adoption of IFRS 9 and 15 for the 2018 fiscal year starting on January 1, 2018. The adoption of these IFRS and their impact on these Financial Statements are covered in Note 3. Accordingly, they should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017, which have been prepared in accordance with IFRS as issued by the IASB.

These Financial Statements were authorized for issue on August 9, 2018 by the board of directors of the Company.

(b) Basis of Consolidation

These consolidated financial statements include the accounts of Taiga Building Products Ltd. and its subsidiaries. Subsidiaries are those entities which the Company controls by having the power to govern the financial and operational policies of the entity. Inter-company transactions and balances have been eliminated.

(c) Basis of Measurement

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable.

(d) Revolving Credit Facility

Revolving credit facility consists of cash on hand less cheques issued and the Company's outstanding revolving credit facility balance. Taiga's cash flow statement reflects the net change in its revolving credit facility. The revolving credit facility forms an integral part of Taiga's cash management and fluctuates directly as a result of cash flows from operating, investing and financing activities.

3. Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these condensed consolidated interim financial statements are summarized in the Company's annual audited consolidated financial statements for the year ended December 31, 2017.

APPENDIX I – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) OF TAIGA

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2018 and 2017 (in Canadian dollars)

(a) Changes in Accounting Policies – Financial Instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Revolving credit facility	Amortized cost	Amortized cost
Accounts receivables	Amortized cost	Amortized cost
Lumber futures	FVTPL	FVTPL
Interest swap	FVTPL	FVTPL
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Finance lease obligation	Amortized cost	Amortized cost
Long-term debt	Amortized cost	Amortized cost
Subordinated notes	Amortized cost	Amortized cost

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on January 1, 2018.

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net (loss) income. Realized and unrealized gains and losses

APPENDIX I – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) OF TAIGA

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three and six months ended June 30, 2018 and 2017 (in Canadian dollars)

arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net (loss) income in the period in which they arise.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of net (loss) income.

(b) Changes in Accounting Policies – Revenue from Contracts with Customers

The Company adopted all of the requirements of IFRS 15 Revenue from Contracts with Customers ("IFRS 15") as of January 1, 2018. IFRS 15 utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The change did not impact the cumulated revenue recognized or the related assets and liabilities on the transition date.

The following is the Company's new accounting policy for revenue from contracts with customers under IFRS 15:

The Company distributes building products to supply yards, building product retailers and industrial manufacturers. Sales are recognised when control of the products has transferred to the Company's customers, being when the products are shipped to the customer in instances where the customer arranges for shipment or upon delivery for instances in which the Company arranges for shipment. The customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Once products are delivered to the Company's customers, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales order, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied. A portion of the Company's sales take place on a consignment basis, where the Company will deliver inventory to customer locations that has not yet been purchased. The revenue from these sales is recognized when the customer purchases the inventory.

The Company's products are sold with volume discounts based on aggregate sales over set periods. Revenue from these sales is recognised based on the price agreed upon for each order, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

APPENDIX I – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) OF TAIGA

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three and six months ended June 30, 2018 and 2017 (in Canadian dollars)

No element of financing is deemed present as the sales are made with credit terms standard for the market. The Company's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision. Historically, the Company's annual returns for products sold have been negligible. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 15 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on January 1, 2018.

(c) Accounting Standards Issued not yet Applied

Leases

On January 13, 2016, the IASB published a new standard, IFRS 16, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated and the lease liability is accreted using the effective interest method. The new standard also requires qualitative disclosures along with specific quantitative disclosures. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. Upon adoption of IFRS 16, the Company's operating leases, which are principally comprised of its warehouse facilities and select equipment, will be recorded in the statement of financial position with a corresponding lease obligation. The Company continues to assess the impact of adopting this standard on its consolidated financial statements.

Other accounting pronouncements with future effective dates are either not applicable or are not expected to have a material impact on the Company's consolidated financial statements.

4. Inventories

<i>(in thousands of dollars)</i>	June 30, 2018	June 30, 2017	December 31, 2017
Allied building products	30,007	31,421	24,935
Lumber products	82,396	79,518	73,694
Panel products	38,282	24,854	24,290
Production consumables	661	782	568
Inventory provision	(253)	(227)	(199)
Total	151,093	136,348	123,288

All of the Company's inventories are pledged as security for the revolving credit facility.

5. Revolving Credit Facility

<i>(in thousands of dollars)</i>	June 30, 2018	June 30, 2017	December 31, 2017
Revolving credit facility	140,991	111,865	54,995
Financing costs, net of amortization	(1,708)	(422)	(272)
Total	139,283	111,443	54,723

On June 28, 2018, the Company renewed its senior credit facility with a syndicate of lenders led by JPMorgan Chase Bank (the "Facility"). The Facility was increased from \$225 million to \$250 million, with an option to increase the limit by up to \$50 million. The Facility also features an ability to draw on additional term loans in

APPENDIX I – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) OF TAIGA

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2018 and 2017 (in Canadian dollars)

an aggregate amount of approximately \$23 million at favourable rates, which Taiga may utilize for future growth or expansion opportunities. The Facility continues to bear interest at variable rates plus variable margins, is secured by a first perfected security interest in all personal property of the Company and certain of its subsidiaries, and will mature on June 28, 2023. Taiga's ability to borrow under the Facility is based upon a defined percentage of accounts receivable and inventories. The terms, conditions, and covenants of the Facility have been met as at June 30, 2018.

6. Income Taxes

Income tax expense is comprised of:

<i>(in thousands of dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Current	7,327	1,926	10,462	1,710
Future	(642)	357	(1,671)	948
Total	6,685	2,283	8,791	2,658

7. Subordinated Notes

Per the Trust Indenture dated November 17, 2017 (the "Indenture") the Company's Subordinated Notes are unsecured, bear interest at 7% per annum and mature on November 17, 2022. The Subordinated Notes are not listed on any stock exchange. Interest on the Notes is payable on May 17 and November 17 of each year. The aggregate principal amount of the New Notes that may be issued under the Indenture is unlimited. The terms, conditions, and covenants of the Indenture have been met during the quarter ended June 30, 2018.

8. Shareholders' Equity

(a) Authorized Share Capital

Unlimited common shares without par value, unlimited class A common shares without par value, and unlimited class A and class B preferred shares without par value.

(b) Normal Course Issuer Bid

On April 27, 2018, the Company commenced a Normal Course Issuer Bid ("NCIB") for its common shares. Under the terms of the NCIB, the Company may purchase up to 5,841,155 of its 116,823,109 outstanding Common Shares, representing 5% of the outstanding Common Shares. For the three months ended June 30, 2018, the Company purchased 500,300 of its Common shares for cash payments of \$750,435. These Common Shares purchased by the Company are being held as Treasury Stock. At June 30, 2018 there were 5,340,855 remaining Common Shares permitted to be purchased by the Company per the terms of the NCIB.

(c) Common Shares Issued

<i>(in thousands of dollars, except number of shares)</i>	Number of Shares	Amount
Balance, March 31, 2017	32,414,278	13,229
Issue of new shares as a result of the Exchange Offer	84,408,831	119,861
Balance, December 31, 2017	116,823,109	133,090
Shares purchased under NCIB and held as Treasury Stock	500,300	750
Balance, June 30, 2018	116,322,809	132,340

APPENDIX I – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) OF TAIGA

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three and six months ended June 30, 2018 and 2017 (in Canadian dollars)

(d) Accumulated Other Comprehensive Income

Accumulated other comprehensive income consists of exchange differences arising on translation of entities that have a functional currency other than the Canadian dollar.

(e) Stock Options and Warrants

Taiga does not have stock options or warrants outstanding and has not granted or cancelled options or warrants during the current or prior period.

(f) Exchange Offer

On November 17, 2017, the Company completed an exchange offer (the "Exchange Offer"). Pursuant to the terms and conditions set forth in the Company's Exchange Offer and Consent Solicitation Statement dated September 29, 2017 (the "Exchange Offer Circular"), to purchase any and all of its outstanding 14% subordinated unsecured notes (the "Existing Notes") in exchange for new 7% senior notes of Taiga (the "New Notes") due five years from the date of issuance, common shares of Taiga ("Common Shares") at a rate of 833.33 Common Shares for each \$1,000 principal amount of Existing Notes, or any combination of the foregoing at the option of the holder. As a result of the Exchange Offer, the Company exchanged an aggregate of \$113,791,000 principal amount of Existing Notes, representing approximately 88.4% of the Existing Notes outstanding. Holders of Existing Notes who participated in the Exchange Offer elected to exchange their Existing Notes for an aggregate of \$12,500,000 principal amount of New Notes and 84,408,831 Common Shares.

(g) Major Shareholder

On January 31, 2017, Taiga paid the full amount owing to the CRA (The Reassessment) in relation to Note 10 through the use of proceeds provided by its two former major shareholders. The Reassessment Amount was fully funded by the two former major shareholders in accordance with their obligations under their indemnity agreements with Taiga. The payment of the Reassessment Amount was made in connection with two transactions (the "Transactions") involving Taiga's two former major shareholders, and Avarga Limited (formerly known as UPP Holdings Limited), and certain of its affiliates and subsidiaries (collectively, "Avarga"), which resulted in Avarga holding approximately 58% of the issued and outstanding common shares of the Company. As a result of the Exchange Offer described at Note 8(f), Avarga's ownership interest decreased to 49% of the common shares and Avarga continues to be Taiga's largest shareholder. Taiga's current chairman, Ian Tong, is a director of Avarga. Another of Taiga's directors, Dr. Kooi Ong Tong is also Avarga's executive chairman, chief executive officer and a significant shareholder. Avarga is an investment holding company listed on the Singapore Exchange.

9. Finance Expense

The finance expense is comprised of:

<i>(in thousands of dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Interest on revolving credit facility and other short term liabilities	1,203	850	2,022	1,822
Interest on finance leases and long-term debt	423	453	846	913
Amortization of financing costs	74	76	147	151
Total	1,700	1,379	3,015	2,886

APPENDIX I – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) OF TAIGA

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2018 and 2017 (in Canadian dollars)

10. Commitments and Contingencies

Canada Revenue Agency Reassessment

During the year ended March 31, 2017, Taiga received a notice of reassessment from the Canada Revenue Agency in the amount of approximately \$42,000,000 (which includes interest) relating to the years from 2005 to 2013. The reassessment related to the amount of taxes withheld, by Taiga, on dividends paid or deemed to have been paid to what were then the Company's two largest shareholders in connection with and subsequent to Taiga's corporate reorganization in 2005 involving a swap of then outstanding common shares for stapled units. Taiga paid the full amount of the reassessment on January 31, 2017 using proceeds provided by its two former major shareholders. The Company, and the two former major shareholders, had previously entered into agreements whereby the shareholders agreed to fully indemnify the Company from this potential liability, including related liabilities. The indemnity agreements remain in effect and would apply in the event that CRA issues further reassessments relating to the amount of taxes withheld. The Company intends to challenge the reassessment and vigorously defend its tax filings and to seek a resolution as soon as practically possible. Taiga's two former major shareholders may elect to assume any action or defense of Taiga in connection with the foregoing pursuant to the terms of the indemnity agreements with Taiga.

11. Financial Instruments

(a) Accounting for financial instruments

The carrying amounts of accounts receivable and accounts payable approximate their fair values due to the short term to maturity of these instruments. The carrying amounts of the revolving credit facility and long-term debt approximate their fair values as these liabilities bear interest at variable market rates.

The fair values of finance lease obligations are as follows:

<i>(in thousands of dollars)</i>	June 30, 2018	June 30, 2017
Fair value	23,804	25,353

The fair value of the finance lease obligations was determined using current borrowing rates for similar debt instruments.

The fair value of the 7% subordinated notes are as follows:

<i>(in thousands of dollars)</i>	June 30, 2018	June 30, 2017
Fair value	12,935	-

The fair value of the 7% subordinated notes was determined using current borrowing rates for similar debt instruments.

The carrying amount of derivative financial instrument assets and liabilities are equal to their fair values as these instruments are re-measured to their fair values at each reporting date as follows:

<i>(in thousands of dollars)</i>	June 30, 2018	June 30, 2017
Lumber futures	(170)	98
Interest swap	-	(16)

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – based on quoted prices in active markets for identical assets or liabilities;

APPENDIX I – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) OF TAIGA

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2018 and 2017 (in Canadian dollars)

Level 2 – based on inputs other than quoted prices that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or

Level 3 – applies to assets and liabilities for inputs that are not based on observable market data, which are unobservable inputs.

Derivative financial instrument assets and liabilities are classified as level 2.

The following table summarizes the classification and carrying values of the Company's financial instruments at June 30, 2018 and 2017:

(in thousands of dollars)

At June 30, 2018	Amortized Cost (Financial assets)	FVTPL	Amortized Cost (Financial liabilities)	Total
Financial assets:				
Accounts receivable	200,162	-	-	200,162
Total financial assets:	200,162	-	-	200,162
Financial liabilities:				
Revolving credit facility	-	-	139,283	139,283
Accounts payable & accrued liabilities	-	-	92,645	92,645
Lumber futures ¹	-	170	-	170
Interest swap	-	-	-	-
Current portion of long-term debt	-	-	942	942
Non-current portion of long-term debt	-	-	-	-
Current portion of financial lease obligation	-	-	2,404	2,404
Non-current portion of financial lease obligation	-	-	21,451	21,451
Subordinates notes	-	-	12,500	12,500
Total financial liabilities:	-	-	269,225	269,395

(in thousands of dollars)

At June 30, 2017	Amortized Cost (Financial assets)	FVTPL	Amortized Cost (Financial liabilities)	Total
Financial assets:				
Accounts receivable	167,147	-	-	167,147
Long-term receivable	-	-	-	-
Total financial assets:	167,147	-	-	167,147
Financial liabilities:				
Revolving credit facility	-	-	111,443	111,443
Accounts payable & accrued liabilities	-	-	82,759	82,759
Lumber futures ¹	-	(98)	-	(98)
Interest swap ¹	-	16	-	16
Current portion of long-term debt	-	-	253	253
Non-current portion of long-term debt	-	-	928	928
Current portion of financial lease obligation	-	-	2,219	2,219
Non-current portion of financial lease obligation	-	-	23,226	23,226
Subordinates notes	-	-	128,834	128,834
Total financial liabilities:	-	(82)	349,662	349,580

⁽¹⁾Included with accounts payable and accrued liabilities on the statement of financial position

APPENDIX I – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) OF TAIGA

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2018 and 2017 (in Canadian dollars)

12. Changes in Non-Cash Working Capital

	Three months ended June 30,		Six months ended June 30,	
<i>(in thousands of dollars)</i>	2018	2017	2018	2017
Decrease (Increase) in accounts receivable	(48,810)	(27,745)	(93,458)	(37,678)
Decrease (Increase) in inventories	1,668	4,450	(27,805)	(14,657)
Decrease (Increase) in prepaid expenses and other	(557)	183	(1,062)	615
Effect of foreign exchange on working capital	1,528	(1,258)	3,258	(1,698)
Increase (Decrease) in AP & accrued liabilities	13,162	7,553	16,296	(17,499)
Total	(33,009)	(16,817)	(102,771)	(70,917)

13. Seasonality

Taiga's sales are subject to seasonal variances that fluctuate in accordance with the normal home building season. Taiga generally experiences higher sales in the quarters ended June 30 and September 30 and reduced sales in the late fall and winter during its quarters ended December 31 and March 31 of each fiscal year.

14. Segmented Information

Taiga operates within one business segment and has two reportable geographic areas as follows:

	Revenue by Point of Sale							
	Three months ended June 30,				Six months ended June 30,			
	2018		2017		2018		2017	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
Canada	371,011	87.7	333,749	87.9	653,817	87.5	586,587	88.1
United States	51,864	12.3	46,012	12.1	93,655	12.5	79,226	11.9

During the three months ended June 30, 2018, Taiga's Canadian operations had export sales of \$71.5 million (2017 - \$82.0 million). For the six month period ended June 30, 2018, export sales were \$128.3 million (2017 - \$149.3 million). These export sales were primarily to the United States and Asia, and are included as part of the Canadian segment in the table above.

15. Subsequent Events

(a) Business acquisition

On July 31, 2018, the Company completed the acquisition of all the shares of Exterior Wood, Inc. ("Exterior Wood"), a wood treatment facility and distribution centre in Washougal, Washington. Total purchase consideration comprised of \$42,000,000 USD in exchange for all issued and outstanding common shares of Exterior Wood. The Company is in the process of determining the fair values of assets acquired and liabilities assumed, and the provisional purchase price allocation as at the acquisition date.



Management's Discussion and Analysis

For the three and six months ended June 30, 2018 and 2017

This Management's Discussion and Analysis ("MD&A") of Taiga Building Products Ltd. ("Taiga" or the "Company") has been prepared based on information available as at August 10, 2018 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and the corresponding notes thereto for the three and six months ended June 30, 2018 and 2017. This discussion and analysis provides an overview of significant developments that have affected Taiga's performance during the three and six months ended June 30, 2018.

The financial information reported herein has been prepared in accordance with International Financial Reporting Standards ("IFRS"), which is the required reporting framework for Canadian publicly accountable enterprises, and is expressed in Canadian dollars.

Taiga's consolidated financial statements and the accompanying notes included within this report include the accounts of Taiga and its subsidiaries. Unless otherwise noted, all references in this MD&A to "dollars" or "\$" are to Canadian dollars.

Unless otherwise noted, there are no material changes to the Company's contractual obligations and risks and uncertainties as described in its management's discussion and analysis for the year ended December 31, 2017.

Additional information relating to the Company including the Company's Annual Information Form dated February 23, 2018 can be found on SEDAR at www.sedar.com.

APPENDIX II – MANAGEMENT DISCUSSION AND ANALYSIS OF TAIGA



Forward-Looking Information:

This MD&A contains certain forward-looking information relating, but not limited, to future events or performance and strategies and expectations of Taiga. Forward-looking information typically contains statements with words such as "consider", "anticipate", "believe", "expect", "plan", "intend", "likely", "may", "will", "should", "predict", "potential", "continue" or similar words suggesting future outcomes or statements regarding expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Examples of such forward-looking information within this document include statements relating to: the Company's perception of the building products industry and markets in which it participates and anticipated trends in such markets in any of the countries in which the Company does business; the Company's anticipated business operations, inventory levels and ability to meet order demand; the Company's anticipated ability to procure products and its relationship with suppliers; sufficiency of cash flows; and the anticipated outcome of legal and regulatory proceedings. Readers should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking information. Forward-looking information reflects management's current expectations or beliefs and is based on information currently available to Taiga and although Taiga believes it has a reasonable basis for providing the forward-looking information included in this document, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, the forward-looking information of Taiga involves numerous assumptions and inherent risks and uncertainties, both general and specific that contribute to the possibility that the predictions, forecasts and other forward-looking information will not occur. These factors include, but are not limited to: changes in business strategies; the effects of legal or regulatory proceedings, competition and pricing pressures; changes in operational costs; changes in laws and regulations, including tax, environmental, employment, competition, anti-terrorism and trade laws and Taiga's anticipation of and success in managing the risks associated with the foregoing; and other risks detailed in this MD&A and Taiga's filings with the Canadian securities regulatory authorities available at www.sedar.com. Forward-looking information speaks only as of the date of this discussion and analysis. Taiga does not undertake, and specifically disclaims, any obligation to update or revise any forward-looking information, whether as a result of new information, future developments or otherwise, except as required by applicable law.

Non-IFRS Financial Measure:

In this MD&A, reference is made to EBITDA, which represents earnings before interest, taxes, and amortization. As there is no generally accepted method of calculating EBITDA, the measure as calculated by Taiga might not be comparable to similarly titled measures reported by other issuers. EBITDA is presented as management believes it is a useful indicator of the Company's ability to meet debt service and capital expenditure requirements and because management interprets trends in EBITDA as an indicator of relative operating performance. EBITDA should not be considered by an investor as an alternative to net income or cash flows as determined in accordance with IFRS. Reconciliations of EBITDA to net earnings reported in accordance with IFRS are included in this MD&A.

Market and Industry Data:

Unless otherwise indicated, the market and industry data contained in this MD&A is based upon information of independent industry and government publications and management's knowledge of, and experience in, the markets in which the Company operates. While management believes this data to be reliable, market and industry data is subject to variation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. The Company has not independently verified any of the data from third party sources referred to in this MD&A and no representation is given as to the accuracy of any of the data referred to in this MD&A obtained from third party sources.

APPENDIX II – MANAGEMENT DISCUSSION AND ANALYSIS OF TAIGA



1. Business Overview

Taiga is the largest independent wholesale distributor of building products in Canada. Taiga distributes building products in Canada, the United States and overseas. As a wholesale distributor, Taiga maintains substantial inventories of building products at fifteen strategically located distribution centres throughout Canada and two distribution centres in California. In addition, Taiga regularly distributes through the use of third party reload centres. Taiga also owns and operates three wood preservation plants that produce pressure-treated wood products. Factors that affect Taiga's year-over-year profitability include, among others, sales levels, price fluctuations and product mix.

Taiga's primary market is Canada. Taiga expects the Canadian housing market in calendar year 2018 to taper off slightly compared to calendar year 2017.

Taiga's secondary market is the United States. Taiga expects the United States housing market to continue to improve in the 2018 calendar year compared to calendar year 2017. See Item 10 "Outlook".

2. Results of Operations

Sales

The Company's consolidated net sales for the quarter ended June 30, 2018 were \$422.9 million compared to \$379.8 million over the same period last year. The increase in sales by \$43.1 million or 11% was largely due to higher selling prices for commodity products.

Consolidated net sales for the six months ended June 30, 2018 were \$747.5 million compared to \$665.8 million over the same period last year. The increase in sales by \$81.7 million or 12% was largely due to higher selling prices for commodity products.

Sales by segments are as follows:

	Revenue by Point of Sale							
	Three months ended				Six months ended			
	June 30,				June 30,			
	2018		2017		2018		2017	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
Canada	371,011	87.7	333,749	87.9	653,817	87.5	586,587	88.1
United States	51,864	12.3	46,012	12.1	93,655	12.5	79,226	11.9

For the quarter ended June 30, 2018, export sales totalled \$71.5 million compared to \$82.0 million in the same quarter last year. For the six month period ended June 30, 2018, export sales were \$128.3 million (2017 - \$149.3 million). These export sales were primarily to the United States and Asia, and are included as part of the Canadian segment in the table above.

The Company's sales of dimension lumber and panel, as a percentage of total sales, was 65.7% for the quarter ended June 30, 2018 and 65.4% over the same period last year. Allied, engineered and treated wood product sales, as a percentage of total sales, was 34.3% for 2018 and 34.6% over the same period last year.

The Company's sales of dimension lumber and panel, as a percentage of total sales, was 65.8% for the six months ended June 30, 2018, compared to 65.7% over the same period last year. Allied, engineered and treated wood product sales, as a percentage of total sales, was 34.2% for the six month period ended June 30, 2018, compared to 34.3% over the same period last year.

APPENDIX II – MANAGEMENT DISCUSSION AND ANALYSIS OF TAIGA



Gross Margin

Gross margin for the quarter ended June 30, 2018 increased to \$39.4 million from \$33.7 million over the same period last year. Gross margin percentage increased to 9.3% in the current quarter compared to 8.9% in the same quarter last year.

Gross margin for the six months ended June 30, 2018 increased to \$70.2 million from \$57.8 million over the same period last year. Gross margin percentage was 9.4% for the six months ended June 30, 2018 compared to 8.7% in the same period last year. The increase in gross margin was primarily due to increasing commodity prices in the current period compared to the same period last year.

Expenses

Distribution expense for the quarter ended June 30, 2018 was \$6.0 million compared to \$5.5 million over the same period last year. For the six month period ended June 30, 2018, distribution expenses increased to \$11.9 million compared to \$11.2 million over the same period last year.

Selling and administration expense for the quarter ended June 30, 2018 increased to \$18.6 million compared to \$15.1 million over the same period last year. Selling and administration expense for the six months ended June 30, 2018 increased to \$33.1 million compared to \$27.1 million over the same period last year. These increases were primarily due to higher compensation costs.

Finance expense for the quarter ended June 30, 2018 was \$1.7 million compared to \$1.4 million over the same period last year. Finance expense for the six months period ended June 30, 2018 increased to \$3.0 million compared to \$2.9 million for the same period last year. Higher borrowing levels led to increased interest costs.

Subordinated debt interest expense for the quarter ended June 30, 2018 was \$0.2 million compared to \$4.5 million over the same period last year. Subordinated debt interest expense was \$0.4 million for the six months period ended June 30, 2018 compared to \$9.0 million over the same period last year. The decrease is because currently there are \$12.5 million of notes paying 7% interest as opposed to \$128.8 million of notes paying 14% interest in the same period last year.

Other income was \$0.1 million for the quarter ended June 30, 2018 and 2017. Other income was \$0.2 million for the six months ended June 30, 2018 compared to \$0.3 million over the same period last year.

Net Earnings

Net earnings for the quarter ended June 30, 2018 increased to \$6.4 million from \$5.0 million for the same period last year primarily due to increased gross margin. Net earnings for the six month period ended June 30, 2018 was \$13.1 million compared to \$5.3 million over the same period last year.

APPENDIX II – MANAGEMENT DISCUSSION AND ANALYSIS OF TAIGA



EBITDA

EBITDA for the quarter ended June 30, 2018 was \$16.1 million compared to \$14.3 million for the same period last year. For the six months ended June 30, 2018, EBITDA was \$27.6 million compared to \$22.1 million over the same period last year.

Reconciliation of net earnings to EBITDA:

<i>(in thousands of dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Net earnings	6,358	5,029	13,148	5,278
Income taxes	6,685	2,283	8,791	2,658
Finance and subordinated debt interest expense	1,919	5,888	3,414	11,905
Amortization	1,166	1,080	2,294	2,223
EBITDA	16,128	14,280	27,647	22,064

3. Cash Flows

Operating Activities

Cash flows from operating activities used cash of \$20.3 million for the quarter ended June 30, 2018 compared to \$5.6 million for the same period last year. Cash flows from operating activities used cash of \$80.1 million for the six months ended June 30, 2018 compared to \$53.8 million for the same period last year. Changes between the comparative periods were primarily due to changes in non-cash working capital.

Investing Activities

Investing activities used cash of \$0.9 million for the quarter ended June 30, 2018 compared to cash provided of \$0.4 million over the same period last year. Investing activities used cash of \$1.7 million for the six months ended June 30, 2018 compared to \$0.2 million for the same period last year.

Financing Activities

Financing activities used cash of \$1.8 million for the quarter ended June 30, 2018 compared to \$5.1 million for the same period last year. Financing activities used cash of \$2.5 million during the six months ended June 30, 2018 compared to \$10.2 million during the same period last year.

4. Summary of Quarterly Results

<i>(in thousands of dollars, except per share amount in dollars)</i>	Fiscal year December 31, 2018		Fiscal year December 31, 2017			Fiscal year March 31, 2017		
	Q2	Q1	Q3	Q2	Q1	Q4	Q3	Q2
Sales	422,875	324,597	329,821	396,629	379,761	286,052	277,408	335,052
Net earnings (loss)	6,358	6,790	(15,195)	5,980	5,029	249	(160)	3,139
Net earnings (loss) per share ⁽¹⁾	0.05	0.06	(0.20)	0.18	0.16	0.01	0.00	0.10
EBITDA	16,128	11,519	(9,142)	16,242	14,280	7,784	7,425	11,329

Notes:

- (1) The amounts are identical on a basic and fully-diluted per share basis. Earnings per share is calculated using the weighted-average number of shares.

APPENDIX II – MANAGEMENT DISCUSSION AND ANALYSIS OF TAIGA



Seasonality

Taiga's sales are subject to seasonal variances that fluctuate in accordance with the normal home building season. Taiga generally experiences higher sales in the second and third quarters and reduced sales in the late fall and winter during its first and fourth quarters of each fiscal year.

5. Liquidity and Capital Resources

Revolving Credit Facility

On June 28, 2018, the Company renewed its senior credit facility with a syndicate of lenders led by JPMorgan Chase Bank (the "Facility"). The Facility was increased from \$225 million to \$250 million, with an option to increase the limit by up to \$50 million. The Facility also features an ability to draw on additional term loans in an aggregate amount of approximately \$23 million at favourable rates, which Taiga may utilize for future growth or expansion opportunities. The Facility continues to bear interest at variable rates plus variable margins, is secured by a first perfected security interest in all personal property of the Company and certain of its subsidiaries, and will mature on June 28, 2023. Taiga's ability to borrow under the Facility is based upon a defined percentage of accounts receivable and inventories. The terms, conditions, and covenants of the Facility have been met as at June 30, 2018.

Working Capital

Working capital as at June 30, 2018 increased to \$109.2 million from \$96.3 million as at December 31, 2017 due to increased current assets offset by increased current liabilities. Taiga believes that current levels are adequate to meet its working capital requirements.

Summary of Financial Position

<i>(in thousands of dollars)</i>	June 30, 2018	June 30, 2017	December 31, 2017
Current Assets	353,713	305,540	232,331
Current Liabilities (excluding Revolving Credit Facility)	(105,252)	(91,077)	(81,300)
Revolving Credit Facility	(139,283)	(111,443)	(54,723)
Working Capital	109,178	103,020	96,308
Long Term Assets	39,188	40,810	38,498
Long Term Liabilities (excluding Subordinated Notes)	(25,077)	(28,667)	(26,468)
Subordinated Notes	(12,500)	(128,834)	(12,500)
Shareholders' Equity (Deficiency)	110,789	(13,671)	95,838

Assets

Total assets were \$392.7 million as at June 30, 2018 compared to \$270.8 million as at December 31, 2017. The increase was primarily the result of increased inventories and increased accounts receivable.

Inventories increased to \$151.1 million as at June 30, 2018 compared to \$123.3 million as at December 31, 2017 due to higher commodity prices at the end of the period.

Property, plant and equipment was \$38.5 million as at June 30, 2018 compared to \$38.3 million as at December 31, 2017.

APPENDIX II – MANAGEMENT DISCUSSION AND ANALYSIS OF TAIGA



Liabilities

Total liabilities increased to \$282.1 million as at June 30, 2018 from \$175.0 million as at December 31, 2017. The increase was primarily the result of increased revolving credit facility balance and increased accounts payable and accrued liabilities.

Outstanding Share Data

The Company has only one class of shares outstanding, its common shares without par value. On August 10, 2018, there were 116,823,109 shares issued and 116,322,809 common shares outstanding.

On April 27, 2018, the Company commenced a Normal Course Issuer Bid ("NCIB") for its common shares. Under the terms of the NCIB, the Company may purchase up to 5,841,155 of its 116,823,109 outstanding Common Shares, representing 5% of the outstanding Common Shares. For the three months ended June 30, 2018, the Company purchased 500,300 of its Common shares for cash payments of \$750,435. These Common Shares purchased by the Company are being held as Treasury Stock. At June 30, 2018 there were 5,340,855 remaining Common Shares permitted to be purchased by the Company per the terms of the NCIB.

6. Commitments and Contingencies

Canada Revenue Agency Reassessment

During the year ended March 31, 2017, Taiga received a notice of reassessment from the Canada Revenue Agency in the amount of approximately \$42,000,000 (which includes interest) relating to the years from 2005 to 2013. The reassessment related to the amount of taxes withheld, by Taiga, on dividends paid or deemed to have been paid to what were then the Company's two largest shareholders in connection with and subsequent to Taiga's corporate reorganization in 2005 involving a swap of then outstanding common shares for stapled units. Taiga paid the full amount of the reassessment on January 31, 2017 using proceeds provided by its two former major shareholders. The Company, and the two former major shareholders, had previously entered into agreements whereby the shareholders agreed to fully indemnify the Company from this potential liability, including related liabilities. The indemnity agreements remain in effect and would apply in the event that CRA issues further reassessments relating to the amount of taxes withheld. The Company intends to challenge the reassessment and vigorously defend its tax filings and to seek a resolution as soon as practically possible. Taiga's two former major shareholders may elect to assume any action or defense of Taiga in connection with the foregoing pursuant to the terms of the indemnity agreements with Taiga.

7. Critical Accounting Policies and Estimates

The significant accounting policies of Taiga are described in Note 3 to the Consolidated Financial Statements for the year ended December 31, 2017.

The preparation of financial statements in conformity with IFRS requires management to make assumptions and estimates that affect the amounts reported in the financial statements and notes thereto. Financial results as determined by actual events could be different from those estimates. These estimates are described in the management's discussion and analysis for the year ended December 31, 2017 and there have been no material changes to such policies and estimates since that time.



8. Off-Balance Sheet Arrangements

Taiga does not have off-balance sheet arrangements except for commitments under operating leases as discussed under “Commitments and Contingencies” in this Management’s Discussion and Analysis for the fiscal year ended December 31, 2017.

For a detailed description of financial instruments and their associated risks, see Note 20 to the Company’s audited consolidated financial statements for the fiscal year ended December 31, 2017.

9. Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Taiga’s management is responsible for establishing and maintaining adequate disclosure controls and procedures and internal controls over financial reporting (“ICFR”) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS.

The CEO and CFO of Taiga acknowledge responsibility for the design of ICFR and confirm that there were no changes in these controls that occurred during the quarter ended June 30, 2018 which materially affected, or are reasonably likely to materially affect the Company’s ICFR.

10. Outlook

Taiga’s financial performance is primarily dependent on the residential construction, renovation and repairs markets. These markets are affected by the strength or weakness in the general economy and as such are influenced by interest rates and other general market indicators.

In Canada, according to the Canada Mortgage and Housing Corporation (“CMHC”) Housing Market Outlook, Canadian Edition for the fourth quarter 2017, housing starts are forecasted to range from 192,200 to 203,000 units in the 2018 calendar year. CMHC is reporting that housing starts will range from 192,300 to 203,800 units in the 2019 calendar year.

In the United States, the National Association of Home Builders reported in June 2018 that housing starts are forecasted to total 1,317,000 units in the 2018 calendar year and 1,344,000 units in the 2019 calendar year.

11. Subsequent Events

On July 31, 2018, the Company completed the acquisition of all the shares of Exterior Wood, Inc. (“Exterior Wood”), a wood treatment facility and distribution centre in Washougal, Washington. Total purchase consideration comprised of \$42,000,000 USD in exchange for all issued and outstanding common shares of Exterior Wood. The Company is in the process of determining the fair values of assets acquired and liabilities assumed, and the provisional purchase price allocation as at the Acquisition date.

APPENDIX III – IFA LETTER

PROVENANCE CAPITAL PTE. LTD.

(Company Registration Number: 200309056E)
(Incorporated in the Republic of Singapore)
96 Robinson Road #13-01 SIF Building
Singapore 068899

13 September 2018

To: The Independent Directors of Avarga Limited (formerly known as UPP Holdings Limited)
(deemed to be independent in respect of the Proposed Acquisitions and the Whitewash Resolution)

Mr Koh Wan Kai	(Executive Director)
Mr Khoo Hsien Ming Kevin	(Executive Director)
Mr Gary Ho Kuat Foong	(Lead Independent Director)
Ms Ng Shin Ein	(Independent Director)
Mr Kalimullah Bin Masheerul Hassan	(Independent Director)
Mr Ong Pang Liang	(Independent Director)
Mr Garson David Lee	(Independent Director)

Dear Sir/Mdm,

- A. THE PROPOSED ACQUISITIONS OF THE PURCHASED SHARES AND PURCHASED DEBT OF KUBLAI CANADA LIMITED COLLECTIVELY AS AN INTERESTED PERSON TRANSACTION; AND
- B. THE WHITEWASH RESOLUTION FOR GENGHIS S.À.R.L. IN CONNECTION WITH THE PROPOSED ACQUISITIONS

Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the circular to the shareholders of the Company (“Shareholders”) dated 13 September 2018 (“Circular”). For the purpose of our IFA Letter, where applicable, we have used the foreign exchange rate of C\$1.00:S\$1.01 as agreed in the sale and purchase agreement (“SPA”) between UPP Holdings Limited and Genghis S.à.r.l..

1. INTRODUCTION

1.1 Before trading hours on 23 March 2018 (“**Announcement Date**”), the board of directors (“**Board**” or “**Directors**”) of UPP Holdings Limited (“**Company**” and together with its subsidiaries, “**Group**”) announced (“**Announcement**”), *inter alia*, that it had entered into the SPA on 22 March 2018 with Genghis S.à.r.l. (“**Genghis**”) to acquire from Genghis all its holdings of the following securities (“**Proposed Acquisitions**”) in Kublai Canada Limited (“**Kublai**”):

- (a) 10 common shares (“**Common Shares**”) without par value in the authorised share structure of Kublai;
- (b) 9,216,100 preferred shares (“**Preferred Shares**”) with a par value of Canadian Dollar (“**C\$**”) 1.00 each in the authorised share structure of Kublai; and
- (c) the debt owed by Kublai to Genghis in the principal amount of C\$13,824,049.60 bearing interest at a rate of 9% per annum (“**Purchased Debt**”).

The Purchased Shares, comprising the Common Shares and Preferred Shares, represent the entire issued and outstanding shares in the authorised share structure of Kublai. Following the completion of the Proposed Acquisitions, Kublai will become a wholly-owned subsidiary of the Group.

APPENDIX III – IFA LETTER

Kublai, a company incorporated in British Columbia, Canada, acts as the holding company to mainly hold the 18,460,760 common shares ("**Taiga Shares**") in Taiga Building Products Ltd. ("**Taiga**" and together with its subsidiaries, "**Taiga Group**"), representing 15.8% shareholding interest as at the Announcement Date in Taiga, a company listed on the Toronto Stock Exchange ("**TSX**"). Taiga had an issued share capital comprising 116,823,109 Taiga Shares as at 31 December 2017 and as at 31 March 2018.

The above number of Taiga Shares held by Kublai was subsequently revised from 18,460,760 to 18,460,759, pursuant to the supplementary agreement between the Company and Genghis dated 17 July 2018 ("**Supplementary Agreement**") and announced by the Company on 18 July 2018, to rectify the minor discrepancy in the number of Taiga Shares held by Kublai which was discovered after the SPA was entered into.

Pursuant to the Supplementary Agreement, the consideration payable for the Purchased Shares and Purchased Debt will also be reduced by C\$1.50 (as affected by the one Taiga Share at the agreed purchase price for the Taiga Shares at C\$1.50 each) from C\$27,691,140.00 to C\$27,691,138.50 ("**Consideration**"), comprising C\$8,786,049.38 in cash and the balance of C\$18,905,089.12 to be satisfied by the issuance and allotment of 73,439,000 new ordinary shares of the Company ("**Consideration Shares**") to Genghis at the issue price of S\$0.26 ("**Issue Price**") per Consideration Share.

In addition, the Company had clarified that the Company and Genghis had entered into the SPA on the premise that Kublai holds only the Taiga Shares which were funded by the Common Shares, Preferred Shares and Purchased Debt of Kublai, and otherwise Kublai has no other assets or liabilities. However, as at 30 June 2018, based on the unaudited balance sheet of Kublai, the net asset value ("**NAV**") and net tangible asset ("**NTA**") of Kublai was C\$9,234,181 comprising issued share capital of C\$9,216,110 and retained earnings of C\$18,071.

Accordingly, the parties to the SPA had entered into the Supplementary Agreement to further agree that the Company shall pay to Genghis an additional consideration of C\$18,071 in cash, which is equivalent to the retained earnings of Kublai as at 30 June 2018 ("**Retained Earnings Amount**").

The Company and Genghis acknowledged that the payment for the Retained Earnings Amount is not an adjustment to the agreed purchase price for the Taiga Shares but merely to reflect the intentions of the parties to the SPA as described above.

Following from the above, the total consideration ("**Total Consideration**") payable to Genghis for the Proposed Acquisitions will therefore be C\$27,709,209.50 (S\$27,986,301.60), of which C\$8,804,120.38 will be payable in cash and the balance by the issuance of 73,439,000 Consideration Shares.

On 11 August 2018, the Company announced its unaudited financial results for the second quarter and half year ended 30 June 2018 ("**HY2018**") as well as the unaudited financial results for the Taiga Group for the same periods. It was disclosed in the above Taiga's results announcement that it had, during the 3 months ended 30 June 2018, purchased 500,300 of its Taiga Shares under the Normal Course Issuer Bid ("**NCIB**") and held them as treasury stock. Accordingly, the number of outstanding Taiga Shares had reduced slightly from 116,823,109 to 116,322,809 as at 30 June 2018. Taiga had earlier announced the NCIB on the TSX on 27 April 2018 and that it had obtained the approval of the TSX to commence making purchases of the Taiga Shares from 1 May 2018, from time to time, up to a maximum of 5,841,155, representing 5% of its outstanding Taiga Shares as at that date. Further details on the NCIB are set out in the announcement by Taiga dated 27 April 2018.

Based on the outstanding number of Taiga Shares of 116,322,809 as at 30 June 2018, the shareholding interests in Taiga held by Kublai and the Company have increased slightly as a result of the above buyback of Taiga Shares by Taiga as follows:

APPENDIX III – IFA LETTER

	Existing number of Taiga Shares held	Percentage shareholding interest in Taiga as at 31 March 2018 ⁽¹⁾	Percentage shareholding interest in Taiga as at 30 June 2018 ⁽²⁾
Company	57,248,055	49.00	49.21
Kublai	18,460,759	15.80	15.87
Total	75,708,814	64.81⁽³⁾	65.09⁽³⁾

Notes:

- (1) Based on 116,823,109 Taiga Shares as at 31 March 2018;
- (2) Based on 116,322,809 Taiga Shares as at 30 June 2018; and
- (3) Does not add up due to rounding.

Based on the above, the Proposed Acquisitions will enable the Group to increase its aggregate shareholding interest in Taiga by 15.87% from its shareholding interest of 49.21% to 65.09%.

- 1.2** Genghis is controlled by a trust of which Mr Tong Kooi Ong is the sole beneficiary. Accordingly, Mr Tong Kooi Ong is the beneficial owner of the Purchased Shares and the Purchased Debt. Mr Tong Kooi Ong is the Executive Chairman and Chief Executive Officer of the Company, and has a deemed interest of 25.3% of the outstanding issued shares of the Company ("**Shares**") as at the Latest Practicable Date.

Pursuant to Chapter 9 of the Listing Manual, Genghis is an associate of Mr Tong Kooi Ong, and each of them is deemed as an interested person ("**Interested Person**") and the Proposed Acquisitions collectively is therefore considered as an interested person transaction ("**Interested Person Transaction**").

Pursuant to Rule 906 of the Listing Manual, shareholders' approval must be obtained for any interested person transaction of a value equal to or greater than 5% of the group's latest audited net tangible assets ("**NTA**") or, when aggregated with other interested person transactions entered into with the same interested person during the same financial year, the value of the transaction is equal to or more than 5% of the group's latest audited NTA ("**5% Threshold**"). In addition, pursuant to Rule 921(4)(a) of the Listing Manual, the company is to seek the opinion of an independent financial adviser ("**IFA**") on whether the interested person transaction is on normal commercial terms and is not prejudicial to the interests of the company and its minority shareholders.

Based on the Group's latest audited financial statements for the financial year ended 31 December 2017 ("**FY2017**"), the Group's NTA attributable to the equity holders of the Company was S\$148.8 million. As the Total Consideration of C\$27,709,209.50 (S\$27,986,301.60) represents 18.8% of the audited NTA of the Group as at 31 December 2017, the Proposed Acquisitions, collectively as an Interested Person Transaction, is therefore subject to the approval of the independent shareholders of the Company ("**Independent Shareholders**") at the forthcoming extraordinary general meeting ("**EGM**") and the opinion of an IFA.

- 1.3** Pursuant to the Proposed Acquisitions, 73,439,000 Consideration Shares will be issued and allotted to Genghis, representing 8.4% of the existing number of issued Shares and 7.7% of the enlarged number of Shares immediately after the completion of the Proposed Acquisitions. Mr Tong Kooi Ong has a deemed interest in 221,925,000 Shares, representing 25.3% of the existing number of issued Shares in the Company. His son, Mr Tong Ian, is an Executive Director of the Company and has a deemed interest in 2,800,000 Shares, representing 0.3% of the existing number of issued Shares in the Company. Following the completion of the Proposed Acquisitions, Genghis and its concert parties will hold an aggregate of 298,164,000 Shares, representing 31.4% of the enlarged total number of Shares. Accordingly, Genghis and its concert parties will be required under the Singapore Code on Takeovers and Mergers

APPENDIX III – IFA LETTER

(“**Code**”) to make a mandatory general offer (“**Mandatory Offer**”) for the remaining Shares not already owned or controlled by Genghis and its concert parties pursuant to Rule 14.1 of the Code unless such an obligation is waived by the Securities Industry Council (“**SIC**”).

The SIC had, on 24 May 2018, granted the whitewash waiver to Genghis (“**Whitewash Waiver**”), subject to the satisfaction of certain conditions, including, *inter alia*, the approval by a majority of the Independent Shareholders present and voting at the EGM, by way of a poll, on the proposed whitewash resolution (“**Whitewash Resolution**”) to waive their rights to receive a Mandatory Offer from Genghis, and the appointment of an IFA to advise the Independent Shareholders on the Whitewash Resolution.

- 1.4 Mr Tong Kooi Ong is an Interested Person in relation to the Proposed Acquisitions. His son, Mr Tong Ian, who is an Executive Director of the Company, is also deemed as an Interested Person. In addition, both Mr Tong Kooi Ong and Mr Tong Ian are non-executive directors of Taiga. Mr Tong Ian is the current chairman of Taiga. Accordingly, they will both recuse themselves from all deliberations of the Board and abstain from making any recommendation or voting on all board resolutions relating to the Proposed Acquisitions and the Whitewash Resolution as Directors of the Company. They and their associates/concert parties will also abstain from voting in respect of their shareholdings in the Company on the Proposed Acquisitions/ Whitewash Resolution at the EGM, as the case may be.

The remaining Directors, namely, Mr Koh Wan Kai, Mr Khoo Hsien Ming Kevin, Mr Gary Ho Kuat Foong, Ms Ng Shin Ein, Mr Kalimullah Bin Masheerul Hassan, Mr Ong Pang Liang and Mr Garson David Lee, are deemed to be independent in respect of the Proposed Acquisitions collectively as an Interested Person Transaction and the Whitewash Resolution (“**Independent Directors**”).

- 1.5 Provenance Capital Pte. Ltd. (“**Provenance Capital**”) has been appointed as the IFA to advise the Independent Directors on the Proposed Acquisitions collectively as an Interested Person Transaction as required under Rule 921(4)(a) of the Listing Manual and also to advise on the Whitewash Resolution. This letter (“**Letter**”) is therefore issued for the purpose of Rule 921(4)(a) of the Listing Manual as well as addressed to the Independent Directors and sets out, *inter alia*, our evaluation and opinion on the Proposed Acquisitions collectively as an Interested Person Transaction, the Whitewash Resolution as well as our recommendation on the Whitewash Resolution. This Letter forms part of the Circular to Shareholders which provides, *inter alia*, details of the Proposed Acquisitions, the Whitewash Resolution and the recommendations of the Independent Directors.

2. TERMS OF REFERENCE

Provenance Capital has been appointed as the IFA as required under Rule 921(4)(a) of the Listing Manual in relation to the Proposed Acquisitions collectively as an Interested Person Transaction and pursuant to the conditions of the Whitewash Waiver, to advise the Independent Directors in respect of the Proposed Acquisitions as an Interested Person Transaction and the Whitewash Resolution respectively. We are not and were not involved or responsible, in any aspect, in the negotiations in relation to the Proposed Acquisitions and the Whitewash Resolution, nor were we involved in the deliberations leading up to the decision on the part of the Directors to propose the Proposed Acquisitions and the Whitewash Resolution or to obtain the approval of the Independent Shareholders for the Proposed Acquisitions collectively as an Interested Person Transaction and the Whitewash Resolution (as the case may be), and we do not, by this Letter, warrant the merits of the Proposed Acquisitions and the Whitewash Resolution, other than to express an opinion on (a) whether the Proposed Acquisitions collectively as an Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its Independent Shareholders; and (b) whether the financial terms of the Proposed Acquisitions, in the context of the Whitewash Resolution, are fair and reasonable and the Whitewash Resolution is not prejudicial to the interests of the Independent Shareholders.

APPENDIX III – IFA LETTER

It is not within our terms of reference to evaluate or comment on the legal, strategic, commercial and financial merits and/or risks of the Proposed Acquisitions and the Whitewash Resolution or to compare their relative merits *vis-à-vis* alternative transactions previously considered by the Company (if any) or that may otherwise be available to the Company currently or in the future, and we have not made such evaluation or comment. Such evaluation or comment, if any, remains the responsibility of the Directors and/or the management of the Company (“**Management**”) although we may draw upon the views of the Directors and/or the Management or make such comments in respect thereof (to the extent deemed necessary and appropriate by us) in arriving at our opinion as set out in this Letter.

In the course of our evaluation, we have held discussions with the Directors and Management and their professional advisers (where applicable) and have examined and relied on publicly available information collated by us as well as information provided and representations made to us, both written and verbal, by the Directors, the Management and the professional advisers (where applicable) of the Company, including information contained in the Circular. We have not independently verified such information or representations, whether written or verbal, and accordingly, cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations. Nevertheless, we have made reasonable enquiries and judgment as were deemed necessary and have found no reason to doubt the accuracy or reliability of the information and representations.

The Directors have confirmed that, having made all reasonable enquiries and to the best of their respective knowledge and belief, information and representations as provided by the Directors and Management are accurate. They have also confirmed to us that, upon making all reasonable enquiries and to their best knowledge and belief, all material information available to them in connection with the Proposed Acquisitions and the Whitewash Resolution, the Company and/or the Group have been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to us in relation to the Proposed Acquisitions and the Whitewash Resolution, the Company and/or the Group stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for such information described herein.

We have not independently verified and have assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular have been reasonably made after due and careful enquiry. Whilst care has been exercised in reviewing the information on which we have relied on, we have not independently verified the information but nevertheless have made such reasonable enquiries and judgment on the reasonable use of such information, as were deemed necessary, and have found no reason to doubt the accuracy or reliability of the information and representations.

Save as disclosed, we would like to highlight that all information relating to the Proposed Acquisitions, the Whitewash Resolution, the Company, the Group, Kublai and/or Taiga that we have relied upon in arriving at our recommendation or advice has been obtained from publicly available information and/or from the Directors and the Management. We have not independently assessed and do not warrant or accept any responsibility as to whether the aforesaid information adequately represents a true and fair position of the financial, operational and business affairs of the Company, the Group, Kublai and/or Taiga at any time or as at 30 August 2018, being the Latest Practicable Date referred to in the Circular.

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial condition of the Company, the Group, Kublai and/or Taiga, or to express, and we do not express, any view on the future growth prospects, value and earnings potential of the Company and/or the Group after the Proposed Acquisitions and the Whitewash Resolution. Such review or comment, if any, remains the responsibility of the Directors and the Management, although we may draw upon their views or make such comments in respect thereof (to the extent required by the Code, the Listing Manual and/or deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter. We

APPENDIX III – IFA LETTER

have not obtained from the Company and/or the Group any projection of the future performance including financial performance of the Company and/or the Group, and we did not conduct discussions with the Directors and the Management on, and did not have access to, any business plan and financial projections of the Company and/or the Group. In addition, we are not expressing any view as to the prices at which the Shares may trade or the future value, financial performance or condition of the Company and/or the Group, upon or after completion of the Proposed Acquisitions and the Whitewash Resolution.

We have not made an independent evaluation or appraisal of the assets and liabilities of Kublai, Taiga, the Company and/or the Group (including without limitation, property, plant and equipment). As such, we will be relying on the disclosures and representations made by the Company on the value of the assets and liabilities, and profitability of Kublai, Taiga, the Company and/or the Group. We have not been furnished with any such evaluation or appraisal.

Our view as set out in this Letter is based on market, economic, industry, monetary and other conditions (if applicable) prevailing as at the Latest Practicable Date and the information and representations provided to us as at the Latest Practicable Date. In arriving at our opinion, with the consent of the Directors and/or the Company, we have taken into account certain factors and have made certain assumptions as set out in this Letter. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should take note of any announcements relevant to the Proposed Acquisitions and the Whitewash Resolution which may be released by the Company after the Latest Practicable Date.

In rendering our advice and giving our recommendations, we did not have regard to the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any Independent Shareholder or any specific group of Independent Shareholders. As each Independent Shareholder may have different investment objectives and profiles, we recommend that any individual Independent Shareholder or group of Independent Shareholders who may require specific advice in relation to his or their investment portfolio(s) or objective(s) consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own professional advisers in the preparation of the Circular (other than this Letter). We have had no role or involvement and have not and will not provide any advice (financial or otherwise) in the preparation, review and verification of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, whether expressed or implied, on the contents of the Circular (other than this Letter).

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any Shareholder may reproduce, disseminate or quote this Letter (or any part thereof) for any other purposes, other than at the forthcoming EGM and for the purpose of the Proposed Acquisitions as an Interested Person Transaction and the Whitewash Resolution at any time and in any manner, without the prior written consent of Provenance Capital in each specific case.

We have prepared this Letter as required under Rule 921(4)(a) of the Listing Manual and also for the use of the Independent Directors in their consideration of the Proposed Acquisitions collectively as an Interested Person Transaction and the Whitewash Resolution, and their recommendation to the Independent Shareholders arising thereof. The recommendations made to the Independent Shareholders in relation to the Proposed Acquisitions collectively as an Interested Person Transaction and the Whitewash Resolution remain the sole responsibility of the Independent Directors.

Our opinion in relation to the Proposed Acquisitions collectively as an Interested Person Transaction and the Whitewash Resolution should be considered in the context of the entirety of this Letter and the Circular.

APPENDIX III – IFA LETTER

3. THE PROPOSED ACQUISITIONS

Details of the Proposed Acquisitions are set out in Section 2 of the Circular. A summary of the key terms of the Proposed Acquisitions is set out below for your reference.

3.1 Key terms of the Proposed Acquisitions

Pursuant to the SPA (and as amended by the Supplementary Agreement), the Company is proposing to acquire from Genghis the following securities in Kublai:

- (a) 10 Common Shares without par value of Kublai;
- (b) 9,216,100 Preferred Shares with a par value of C\$1.00 each; and
- (c) the principal amount of C\$13,824,049.60 debt, bearing interest at a rate of 9% per annum, being the Purchased Debt owed by Kublai to Genghis.

The Purchased Shares, comprising the Common Shares and Preferred Shares, represent the entire issued and outstanding shares in the authorised share structure of Kublai. Following the completion of the Proposed Acquisitions, Kublai will become a wholly-owned subsidiary of the Group.

As Kublai's principal asset is the holding of the 18,460,759 Taiga Shares which was funded by the above Common Shares, Preferred Shares and Purchased Debt, the consideration for the Proposed Acquisitions was derived by multiplying the above 18,460,759 Taiga Shares by C\$1.50, being the agreed purchase price for the Taiga Shares ("**Agreed Taiga Share Price**"). The consideration was therefore determined to be C\$27,691,138.50 and the consideration allocated to each of the securities of Kublai was based on the par value/face value of the Preferred Shares and the Purchased Debt, and the residual value to the Common Shares.

In addition, as the Company is settling the consideration by way of part cash and the remaining amount by way of issuing of new Consideration Shares at the Issue Price of S\$0.26 each, parties to the SPA had also agreed for the allocation of the cash amount to partly fund the acquisition of the Purchased Debt and the issuance of Consideration Shares as full settlement for the remaining securities.

The Company had clarified that the Company and Genghis had entered into the SPA on the premise that Kublai holds only the Taiga Shares which were funded by the Common Shares, Preferred Shares and Purchased Debt of Kublai, and otherwise Kublai has no other assets or liabilities. However, as at 30 June 2018, based on the unaudited balance sheet of Kublai, the NAV and NTA of Kublai was C\$9,234,181 comprising issued share capital of C\$9,216,110 and retained earnings of C\$18,071.

Accordingly, the parties to the SPA had entered into the Supplementary Agreement to further agree that the Company shall pay to Genghis an additional consideration of C\$18,071 in cash which is equivalent to the retained earnings as at 30 June 2018, being the Retained Earnings Amount. The Company and Genghis acknowledged that the payment for the Retained Earnings Amount is not an adjustment to the agreed purchase price for the Taiga Shares but merely to reflect the intentions of the parties to the SPA as described above.

Following from the above, the Total Consideration payable to Genghis for the Proposed Acquisitions will therefore be C\$27,709,209.50, of which C\$8,804,120.38 will be payable in cash and the balance by the issuance of 73,439,000 Consideration Shares.

The breakdown of the allocation of cash and issuance of Consideration Shares as payment for the securities of Kublai is set out in the table below:

APPENDIX III – IFA LETTER

	Total Consideration	Basis	Cash component	Consideration Shares at S\$0.26 ⁽¹⁾ each
Common Shares	C\$4,669,059.90	Residual amount	C\$18,071.00	18,067,303
Preferred Shares	C\$9,216,100.00	Par value	-	35,801,004
Purchased Debt	C\$13,824,049.60	Principal amount	C\$8,786,049.38	19,570,693
Total	C\$27,709,209.50		C\$8,804,120.38	73,439,000⁽²⁾

Notes:

- (1) Based on the agreed exchange rate of C\$1.00:S\$1.01 as stated in the SPA; and
- (2) The balance amount of the Total Consideration that is payable in the form of Consideration Shares is C\$18,905,089.12 (C\$27,709,209.50 less C\$8,804,120.38), which is equivalent to 73,439,000 Consideration Shares at S\$0.26 each at the agreed exchange rate of C\$1.00:S\$1.01.

On 11 August 2018, in conjunction with the results announcement of the Group for HY2018, the Company had also declared an interim one-tier tax exempt dividend of 0.50 cents per Share (“**Interim Dividend**”) for HY2018 which was paid on 31 August 2018.

For the avoidance of doubt, the Consideration Shares will not be entitled to the Interim Dividend.

3.2 Conditions Precedent

Completion of the Proposed Acquisitions is subject to various conditions precedent (“**Conditions Precedent**”) as set out in the SPA and in Section 2.5.3 of the Circular, including *inter alia* the following:

- (i) an interest waiver agreement between Genghis and Kublai, pursuant to which Genghis will waive any and all accrued and unpaid interest on the principal amount of the Purchased Debt, since the date that the Purchased Debt was incurred up to and including the time of closing of the Proposed Acquisitions;
- (ii) Independent Shareholders’ approval at the EGM for the Proposed Acquisitions collectively as an Interested Person Transaction;
- (iii) SIC approval on the Whitewash Waiver;
- (iv) Independent Shareholders’ approval at the EGM for the Whitewash Resolution; and
- (v) In-principle approval from the SGX-ST for the listing and quotation of the Consideration Shares on the SGX-ST.

Genghis had, on 17 July 2018, entered into the interest waiver agreement with Kublai to waive any and all accrued and unpaid interest on the principal amount of the Purchased Debt, since the date that the Purchased Debt was incurred up to and including the time of closing of the Proposed Acquisitions.

On 24 May 2018, the SIC had granted the Whitewash Waiver to Genghis subject to certain conditions, details of which are set out in Section 6 of this Letter and Section 3.3 of the Circular.

The SGX-ST in-principle approval for the listing and quotation of the Consideration Shares on the Mainboard of the SGX-ST was obtained on 27 August 2018, subject to conditions as set out in Section 2.8 of the Circular. The SGX-ST in-principle approval is not to be taken as an indication of the merits of the Proposed Acquisitions, the Consideration Shares, the Company and/or its subsidiaries.

APPENDIX III – IFA LETTER

4. INFORMATION ON THE GROUP

4.1 Overview

The Company was incorporated in Singapore and listed on the Mainboard of the SGX-ST. The Company was formerly known as UPP Holdings Limited. At the Company's recent AGM held on 27 April 2018, Shareholders had approved the change of name of the Company from UPP Holdings Limited to **Avarga Limited** to reflect its new identity as the Group expands beyond its paper manufacturing business, as under its former name, UPP is the abbreviation for United Pulp and Paper.

Presently, the principal activities of the Group are paper manufacturing in Malaysia, power generation in Myanmar and distribution of building materials in Canada through Taiga, a company listed on the TSX.

In January 2017, the Group had acquired a 58.34% shareholding interest in Taiga and C\$46.0 million of Taiga's 14% unsecured subordinated notes ("**Taiga Notes**"), representing 35.7% of the outstanding Taiga Notes. Since the above acquisition, the Taiga Group has become one of the Group's core businesses.

In November 2017, the Group's shareholding interest in Taiga was diluted to 49.0% as a result of the enlarged number of Taiga Shares following the restructuring exercise of the Taiga Notes into new Taiga Shares and/or new 7% senior notes ("**New Taiga Notes**"), notwithstanding that the Group had also elected to convert its entire holdings of the Taiga Notes into new Taiga Shares.

As at the Latest Practicable Date, the Group owned 57,248,055 Taiga Shares. This represents 49.21% of the outstanding number of Taiga Shares as at 30 June 2018 as set out in Section 1.1 of this Letter.

The Group considers Taiga as its subsidiary even though it presently owns 49.21% shareholding interest in Taiga as the Group continues to have control over the operations of the Taiga Group and the Group is the single largest shareholder of Taiga. In addition, both Mr Tong Kooi Ong and Mr Tong Ian are directors of Taiga, and Mr Tong Ian is the current chairman of Taiga.

Kublai, presently a wholly-owned subsidiary of Genghis, had then owned C\$22.2 million of the Taiga Notes and elected to convert all its Taiga Notes into new Taiga Shares through the restructuring exercise. This had resulted in its present holding of 18,460,759 Taiga Shares. This represents 15.87% of the outstanding number of Taiga Shares as at 30 June 2018 as set out in Section 1.1 of this Letter.

The Proposed Acquisitions by the Company to acquire the Purchased Shares and the Purchased Debt of Kublai will enable the Group to increase its shareholding interest in Taiga from 49.21% to 65.09%, thus regaining majority control of Taiga. Immediately after the Proposed Acquisitions, Genghis and its concert parties would not have any shareholding interest in Taiga other than through the Group, as disclosed in Section 2.7.1 of the Circular.

As at the Latest Practicable Date, the Company has outstanding 876,667,121 issued Shares. The Company does not have any treasury shares and has 836,667,121 outstanding warrants ("**Warrants**") which are exercisable into new Shares at the exercise price of S\$0.37 for each new Share, at any time during the 3-year exercise period expiring on 12 February 2020. These Warrants were issued and allotted as free bonus warrants to Shareholders in February 2017.

Based on the last transacted Share price of S\$0.230 on 29 August 2018, being the trading day when the Shares were last transacted prior to the Latest Practicable Date, the Warrants are currently out-of-money. There were no trades done on the Shares on the Latest Practicable Date.

APPENDIX III – IFA LETTER

The market capitalisation of the Company based on the last transacted Share price of S\$0.230 on 29 August 2018 is S\$201.6 million.

The implied market capitalisation of the Company based on the Issue Price of S\$0.26 is S\$227.9 million.

As at the Latest Practicable Date, Genghis and its concert parties is the single largest Shareholder with a shareholding interest of 25.6% in the Company, and Mr Tong Kooi Ong and Mr Tong Ian are Executive Chairman cum CEO and Executive Director of the Company respectively. Immediately after the completion of the Proposed Acquisitions but before the exercise of any of the Warrants, the shareholding interest of Genghis and its concert parties in the Company will increase to 31.4% of the enlarged number of issued Shares.

The second largest controlling Shareholder of the Company is Mr Lim Eng Hock. Based on publicly available information, he has 20.9% shareholding interest in the Company. His interest will be diluted to below 20.0% as a result of the enlarged number of Shares following the Proposed Acquisitions but before the exercise of any of the Warrants.

As at the Latest Practicable Date, Genghis and its concert parties also held 217,788,900 Warrants, representing 26.0% of the outstanding number of Warrants.

4.2 Consideration Shares

The Company will satisfy the Total Consideration for the Proposed Acquisitions by way of:

- (a) cash of C\$8,804,120.38; and
- (b) 73,439,000 Consideration Shares at the Issue Price of S\$0.26 each.

The Consideration Shares represent 8.4% of the existing number of issued Shares and 7.7% of the enlarged number of Shares immediately after the Proposed Acquisitions and before the exercise of any of the Warrants.

The Issue Price was agreed between the parties to the SPA after taking into consideration the historical Share price performance over the last 1-year prior to the date of the SPA. The Issue Price represents a premium of 6.1% above the volume weighted average price ("VWAP") of the Shares and the last transacted Share price of S\$0.245 on 21 March 2018, being the day preceding the date of the SPA.

The Shares were last transacted at S\$0.230 on 29 August 2018, being the trading day when the Shares were last transacted prior to the Latest Practicable Date. There were no trades done on the Shares on the Latest Practicable Date. The Issue Price represents a premium of 13.0% above the last transacted price on 29 August 2018.

The Group reported audited profit attributable to equity holders of the Company of S\$16.3 million for FY2017.

The Company had, on 11 August 2018, announced the unaudited financial results of the Group for HY2018. The Group reported profit attributable to equity holders of the Company of S\$7.1 million for HY2018 compared to a profit of S\$4.3 million for HY2017, being the corresponding period of the preceding year.

The profit attributable to equity holders of the Company for the trailing 12 months period ("T12M") ended 30 June 2018 is S\$19.2 million. Accordingly, at the Issue Price, the Consideration Shares are priced at a price earnings ratio ("PER") of 11.9 times based on the T12M earnings.

APPENDIX III – IFA LETTER

As at 30 June 2018, the NAV of the Group was S\$204.1 million or S\$0.2328 per Share. After excluding intangible assets and goodwill on consolidation aggregating S\$45.8 million, the NTA of the Group is S\$158.3 million or S\$0.1806 per Share.

Accordingly, the Issue Price represents **P/NAV ratio of 1.1 times** and **P/NTA ratio of 1.4 times**, or a premium of 11.7% and 44.0% above the NAV per Share and NTA per Share as at 30 June 2018 respectively.

Since 30 June 2018 to the Latest Practicable Date, there was no change in the outstanding number of Shares of 876,667,121 Shares.

5. INFORMATION ON KUBLAI AND TAIGA GROUP

Details of Kublai and Taiga Group are set out in Section 2.3 and Section 2.4 of the Circular.

5.1 Overview

Kublai

Kublai is a company incorporated on 26 October 2017 and organized under the laws of British Columbia, Canada, and is wholly-owned by Genghis. Kublai acts as a holding company to hold the Taiga Shares, and has not otherwise conducted business other than the maintenance of its existence and the performance of its obligations under the Purchased Debt.

Kublai does not have any employees as it is an investment holding company. The sole director of Kublai is Mr Chew Hsiao Siang.

Income statement of Kublai

As Kublai was incorporated on 26 October 2017, annual financial statements of Kublai are not available as at the Latest Practicable Date. However, we have been provided with the unaudited financial statements of Kublai for approximately 8-month period ended 30 June 2018 since its incorporation ("**8M2018**"). The income statement of Kublai is set out below. The financial statements are reported in C\$.

C\$	Unaudited 8M2018 (since date of incorporation to 30 June 2018)
Income	111,470
Investment management fees	34,108
Professional fees	44,089
Total expense	(78,197)
Income taxes	(15,202)
Net income	18,071

Source: The Company

For 8M2018, Kublai recorded income of C\$111,470 which is in relation to the interest income from the Taiga Notes held prior to the restructuring exercise. As all the Taiga Notes have been converted into Taiga Shares, Kublai will not receive such income going forward.

Kublai had incurred investment management fees of C\$34,108 and professional fees of C\$44,089 for 8M2018 due mainly to the acquisition and transfer of the Taiga Notes from Genghis. Since the date that the Purchased Debt was incurred, no accrued interest on the Purchased Debt was charged to the income statement of Kublai in view of the interest waiver

APPENDIX III – IFA LETTER

agreement between Genghis and Kublai. Overall, Kublai recorded a net income of C\$18,071 for 8M2018. Going forward, Kublai will incur custodian fees in respect of the holding of the Taiga shares but otherwise is not expected to incur any significant investment management fees or professional fees.

Balance sheet of Kublai

The unaudited balance sheet of Kublai as at 30 June 2018 is set out below:

C\$	Unaudited as at 30 June 2018
Cash	37,890
Investments in Taiga Shares	23,040,150
Total assets	23,078,040
Accounts payable	4,607
Income taxes payable	15,202
Notes payable to shareholder	13,824,050
Total liabilities	13,843,859
Share capital	9,216,110
Retained earnings	18,071
Shareholders' equity	9,234,181

Source: The Company

Kublai's main asset is its investments in 18,460,759 Taiga Shares which was funded by the Purchased Shares and Purchased Debt. As Kublai also has cash balances and other liabilities as at 30 June 2018, this had resulted in the Retained Earnings Amount of C\$18,071.

Pursuant to the Supplementary Agreement, parties to the SPA had agreed for the Company to include the Retained Earnings Amount of C\$18,701 in the consideration for the Proposed Acquisitions as described in Sections 1.1 and 3.1 of this Letter.

Overall, aside from the Retained Earnings Amount, the acquisition of the securities of Kublai is an indirect acquisition of the 18,460,759 Taiga Shares and accordingly, the consideration for the Proposed Acquisitions which is determined based on the above number of Taiga Shares multiplied by the Agreed Taiga Share Price of C\$1.50 each is a "see-through" price.

Taiga

Established in 1973 and listed on the TSX since 1993, Taiga is Canada's largest wholesale distributor of building materials, with 15 distribution centres across Canada, 2 in California, United States of America ("USA") and 6 reload stations in the USA. Taiga produces preserved lumber at 3 plants strategically located to service the Canadian Market. Taiga's products include panel products, mouldings, doors and other specialty products. It exports its products into markets in Asia, Central and South America, the Middle East. Its products are used to build homes and commercial installations.

As described in Section 4.1 of this Letter, the Group previously had a 58.34% shareholding interest in Taiga before it was subsequently diluted to its present shareholding interest of 49.21%. The Proposed Acquisitions will enable the Group to regain its majority shareholding interest in Taiga to 65.09% based on the outstanding number of Taiga Shares as at 30 June 2018.

Mr Tong Kooi Ong and Mr Tong Ian are Executive Directors of the Company. Both Mr Tong Kooi Ong and Mr Tong Ian are Non-Executive Directors of Taiga, and Mr Tong Ian is also the current Chairman of Taiga.

Based on the Agreed Taiga Share Price and the outstanding 116,322,809 Taiga Shares as at 30 June 2018, the implied market capitalisation of Taiga is C\$174.5 million.

APPENDIX III – IFA LETTER

The Company had confirmed that since 30 June 2018 to the Latest Practicable Date, there is no change in the outstanding number of Taiga Shares of 116,322,809.

Since the Announcement Date, the Taiga Share price had increased to C\$1.66 as at the Latest Practicable Date. Based on the above, the market capitalisation of Taiga is C\$193.1 million.

Following the completion of the notes restructuring exercise in November 2017, Taiga has outstanding C\$12,500,000 principal amount of unlisted New Taiga Notes as at the Latest Practicable Date.

5.2 Agreed Taiga Share Price

The parties to the SPA had agreed to price the Taiga Shares at C\$1.50 each, being the Agreed Taiga Share Price. This price was determined after taking into consideration the historical Taiga Share price performance prior to the SPA, the adjusted enterprise value/earnings before interest, tax, depreciation and amortisation (“**EV/EBITDA**”) ratio of the Taiga Group for the T12M period ended 31 December 2017 and a comparison of EV/EBITDA ratios with other listed peers.

It should be noted that the Group already has a controlling interest in and control over the operations of the Taiga Group. For FY2017, the Group had consolidated the 11 months’ results of the Taiga Group in the Group’s financial statements. The Proposed Acquisitions collectively is a “step-up” acquisition of interest in Taiga. With this, the consolidated financial statements of the Group after the Proposed Acquisitions will result in proportionately lower non-controlling interest. The Proposed Acquisitions collectively is earnings accretive to the Group as the Taiga Group is profitable.

The Agreed Taiga Share Price represents a very slight premium of 2.3% and 2.7% above the VWAP and the last transacted Taiga Share price of C\$1.466 and C\$1.46 respectively on 21 March 2018, being the day preceding the date of the SPA.

As a result of the increase in the Taiga Share price after the Announcement Date and up to the Latest Practicable Date, the Agreed Taiga Share Price now represents a discount of 9.6% to the last transacted price of the Taiga Shares of C\$1.66 as at the Latest Practicable Date.

5.2.1 Financial information of the Taiga Group

Following the initial acquisition of the equity interest in Taiga in January 2017, the 11 months’ results of the Taiga Group had contributed significantly to the results of the Group for FY2017. As an illustration, segmental revenue from the Taiga Group had accounted for 95.5% of the total Group revenue for FY2017 and segmental pre-tax profit of the Taiga Group had contributed 73.6% of the Group’s total pre-tax profit for FY2017 as disclosed in the Chairman’s Statement in the annual report of the Company for FY2017.

During 2017, Taiga had changed its financial year end from 31 March to 31 December to co-terminate with the Group’s financial year end, and had issued audited financial statements of the Taiga Group for the 9-month period ended 31 December 2017 (“**9M2017**”). The financial statements of the Taiga Group are presented in C\$.

The Chairman’s statement in the Company’s annual report for FY2017 shows the track record of the financial results of the Taiga Group for the financial years ended 31 March from 2012 to 2017, and for the T12M period ended 31 December 2017. The above track record illustrates that the financial performance of the Taiga Group had been profitable during these periods with stable gross profit margin and EBITDA margin, except for 9M2017 when its results were affected by one-off loss on settlement of debt as a result of the restructuring of the Taiga Notes during 9M2017. This had similarly affected the results of the Taiga Group for the T12M period ended 31 December 2017.

APPENDIX III – IFA LETTER

Based on the audited results announcement by Taiga for 9M2017, the Taiga Group had reported net loss for the period of C\$4.2 million after accounting for loss on settlement of debt of C\$18.6 million. Excluding such loss on settlement of debt, the Taiga Group would have achieved adjusted net profit of C\$14.4 million for 9M2017.

Taiga had reported net profit of C\$13.1 million for HY2018 compared to a profit of C\$5.3 million for the corresponding period of the preceding year due mainly to higher revenue, increased gross margin and lower interest expense arising from the restructuring of the Taiga Notes in November 2017.

On a T12M basis from July 2017 to June 2018, the Taiga Group had achieved an adjusted net profit of C\$22.5 million (excluding the loss on settlement of debt). The T12M adjusted EBITDA of the Taiga Group was C\$53.3 million (excluding the loss on settlement of debt).

Based on the implied market capitalisation of Taiga of C\$174.5 million and the T12M adjusted net profit of C\$22.5 million, the implied **PER** for the Taiga Shares is **7.8** times.

Based on the implied EV of the Taiga Group of C\$351.1 million and the T12M adjusted EBITDA of C\$53.3 million, the implied **EV/EBITDA ratio** for the Taiga Shares is **6.6** times.

As at 30 June 2018, the Taiga Group has NAV of C\$110.8 million or C\$0.9524 per Taiga Share based on its unaudited consolidated balance sheet for HY2018. As the Taiga Group does not have any intangible assets, its NAV is the same as its NTA.

The Agreed Taiga Issue Price represents a **P/NTA ratio** of **1.6** times or a premium of 57.5% above the NTA per Taiga Share as at 30 June 2018.

Subsequent to 30 June 2018, the Company had, on 3 July 2018, announced that Taiga had entered into a share purchase agreement to acquire all of the issued and outstanding common shares of Exterior Wood, Inc. ("**Exterior**"), a wood treatment facility and distribution centre in Washougal, Washington, USA. The purchase consideration is US\$42 million in cash, subject to certain adjustments at closing of the acquisition in respect of working capital, cash and certain outstanding indebtedness. Based on the unaudited management accounts of Exterior for the financial period ended 30 April 2018, the NTA of Exterior as at 30 April 2018 was US\$16.1 million. As the consideration for the acquisition of Exterior is expected to be satisfied from Taiga's internal cash flows and external borrowings, the outstanding number of Taiga Shares will remain unchanged following the above acquisition.

Taiga had disclosed in its results announcement for HY2018 that it had completed the acquisition of Exterior on 31 July 2018.

6. THE WHITEWASH RESOLUTION

Under Rule 14.1 of the Code, where (a) any person who acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carrying 30% or more of the voting rights in the company; or (b) any person who together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights in the company and such person, or any person acting in concert with him, acquires in any period of 6 months additional shares carrying more than 1% voting rights, he is required to make a mandatory general offer for all the shares in the company which he does not already own or control.

As at the Latest Practicable Date, Genghis and its concert parties owned, in aggregate, 224,725,000 Shares, representing 25.6% shareholding interest in the Company. Genghis and its concert parties also owned an aggregate of 217,788,900 Warrants, representing 26.0% of the number of outstanding Warrants.

APPENDIX III – IFA LETTER

Assuming none of the Warrants are exercised, the shareholding interests of Genghis and its concert parties will increase from 25.6% to 31.4% of the enlarged number of Shares immediately after the Proposed Acquisitions. Genghis and its concert parties are therefore required under the Code to make a Mandatory Offer for the Shares not already owned or controlled by them pursuant to Rule 14.1 of the Code unless such obligation is waived by the SIC and the Whitewash Resolution is approved by the Independent Shareholders at the EGM.

Accordingly, an application was made to the SIC on behalf of Genghis and its concert parties for the Whitewash Waiver to waive Genghis and its concert parties of their obligation to make the Mandatory Offer for the Company under Rule 14.1 of the Code as a result of them receiving the Consideration Shares.

The SIC had, on 24 May 2018, granted the Whitewash Waiver to Genghis, subject to the satisfaction of certain conditions as follows:

- (i) a majority of holders of voting rights of the Company approve at a general meeting, before the issue of the Consideration Shares, the Whitewash Resolution by way of a poll to waive their rights to receive a general offer from Genghis;
- (ii) the Whitewash Resolution is separate from other resolutions;
- (iii) Genghis, parties acting in concert with it and parties not independent of it abstain from voting on the Whitewash Resolution;
- (iv) Genghis and its concert parties did not acquire and are not to acquire any shares in the Company or instruments convertible into and options in respect of shares in the Company (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new shares in the Company which have been disclosed in the Circular):
 - (a) during the period between the announcement of the Proposed Acquisitions and the date of shareholders' approval is obtained for the Whitewash Resolution; and
 - (b) in the 6 months prior to the announcement of the Proposed Acquisitions but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the Proposed Acquisitions;
- (v) the Company appoints an IFA to advise its independent shareholders on the Whitewash Resolution;
- (vi) the Company sets out clearly in the Circular to shareholders:
 - (a) the details of the Proposed Acquisitions, including the issue of the Consideration Shares;
 - (b) the dilution effect of issuing the Consideration Shares to Genghis on the existing holders of voting rights;
 - (c) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of shares in the Company held by Genghis and its concert parties as at the Latest Practicable Date;
 - (d) the number and percentage of voting rights to be issued to Genghis upon the issue of the Consideration Shares to it;
 - (e) that shareholders, by voting for the Whitewash Resolution, are waiving their rights to a general offer from Genghis at the highest price paid by Genghis and its concert

APPENDIX III – IFA LETTER

parties for the Company's shares in the past 6 months preceding the commencement of the offer;

- (vii) the Circular states that the waiver granted by the SIC to Genghis from the requirement to make a general offer under Rule 14 of the Code is subject to the conditions stated at (i) to (vi) above;
- (viii) the Company obtains the SIC's approval in advance for those parts of the Circular that refer to the Whitewash Resolution; and
- (ix) to rely on the Whitewash Resolution, the acquisition of the Consideration Shares by Genghis pursuant to the Proposed Acquisitions must be completed within 3 months of the approval of the Whitewash Resolution.

As at the Latest Practicable Date, all the above conditions imposed by SIC, except for conditions (i), (iii), (iv)(a) and (ix) have been satisfied.

The Independent Shareholders are therefore asked to vote, on a poll, on the Whitewash Resolution as an ordinary resolution in the Notice of EGM set out in the Circular.

We recommend that the Independent Directors advise the Independent Shareholders that:

- (a) by voting in favour of the Whitewash Resolution, they will be waiving their rights to receive a general offer for their Shares from Genghis at the highest price paid by Genghis and its concert parties in the 6 months preceding the commencement of the offer which they would have otherwise been obliged to make for the Shares in accordance with Rule 14 of the Code; and**
- (b) in the context of the Whitewash Waiver, the Proposed Acquisitions are conditional upon them voting in favour of the Whitewash Resolution. In the event that the Whitewash Resolution is not approved by the Independent Shareholders, the Proposed Acquisitions will not be completed.**

Genghis should note that the Whitewash Waiver granted by the SIC is in relation only to the Consideration Shares. The issuance of the Consideration Shares arising from the Proposed Acquisitions will result in Genghis and its concert parties owning more than 30% but less than 50% of the total shareholding interest in the Company.

We understand that Genghis and its concert parties did not apply for a whitewash waiver in respect of the Warrants. In view of this, Genghis and its concert parties should observe their obligations under the Code as a result of any subsequent dealings in the Shares including the exercise of their Warrants, and the effects on their shareholdings in the Company as a result of the exercise of Warrants by other holders of the Warrants.

7. EVALUATION OF THE PROPOSED ACQUISITIONS COLLECTIVELY AS AN INTERESTED PERSON TRANSACTION AND THE WHITEWASH RESOLUTION

In our evaluation of the Proposed Acquisitions collectively as an Interested Person Transaction and the Whitewash Resolution, we have given due consideration to, *inter alia*, the following key factors:

- (a) rationale for the Proposed Acquisitions;
- (b) assessment of the Total Consideration for the Proposed Acquisitions;
- (c) assessment of the Issue Price of the Consideration Shares;

APPENDIX III – IFA LETTER

- (d) dilution impact arising from the issuance of the Consideration Shares on the Independent Shareholders; and
- (e) other relevant considerations.

7.1 Rationale for the Proposed Acquisitions

It is not within our terms of reference to comment or express an opinion on the merits of the Proposed Acquisitions or the future prospects of the Group after the Proposed Acquisitions. Nevertheless, we have reviewed the Company's rationale for the Proposed Acquisitions as set out in Section 2.2 of the Circular.

We note that the Proposed Acquisitions, if and when completed, will enable the Company to regain its majority shareholding stake in Taiga. The Proposed Acquisitions are also expected to be earnings-accretive.

In addition, as disclosed in Section 2.7.1 of the Circular, the Company has obtained a confirmation from Genghis that immediately after the Proposed Acquisitions, Genghis and its concert parties would not have any shareholding interest in Taiga other than through the Group.

7.2 Assessment of the Total Consideration for the Proposed Acquisitions

As set out in Section 5.1 of this Letter, aside for the Retained Earnings Amount, the consideration for the Proposed Acquisitions is the "see-through" price based on Kublai's main asset holding of the 18,460,759 Taiga Shares at the Agreed Taiga Share Price of C\$1.50 each, totalling C\$27,691,138.50.

As the holding of the Taiga Shares, being the main asset of Kublai, was funded by the Purchased Shares and Purchased Debt, the acquisition of these securities of Kublai will enable the Group to acquire the full interest of these Taiga Shares through Kublai.

As set out in Sections 1.1 and 3.1 of this Letter, the Total Consideration for the Proposed Acquisitions comprises the consideration for the Taiga Shares based on the "see-through" price and the Retained Earnings Amount of C\$18,071 as at 30 June 2018. We note that the Retained Earnings Amount represents the additional net assets in Kublai besides its holding of the Taiga Shares. As parties to the SPA acknowledged that the payment for the Retained Earnings Amount is not an adjustment to the agreed purchase price for the Taiga Shares but merely to reflect the intentions of the parties to the SPA as described in Sections 1.1 and 3.1 of this Letter, the inclusion of the Retained Earnings Amount in the Total Consideration is fair and reasonable.

Following from the above, the Total Consideration for the Proposed Acquisitions is C\$27,709,209.50.

The basis of allocation of the Total Consideration to each of these Purchased Shares and Purchased Debt is set out in Section 3.1 of this Letter. The Preferred Shares are to be acquired at its par value, the Purchased Debt at its principal amount and the Common Shares based on the residual value of the Total Consideration. The allocation of residual amount of the Total Consideration to the Common Shares is reasonable as Common Shares ranked last after Purchased Debt and Preferred Shares. In addition, as all these securities will be acquired by the Group and Kublai will become a wholly-owned subsidiary of the Group, the allocation basis to each of these securities pose minimal difference to the Group.

In relation to the Purchased Debt, Genghis had waived all accrued and unpaid interest on the principal amount of the Purchased Debt.

Hence, aside for the Retained Earnings Amount, the assessment of the Total Consideration for the Proposed Acquisitions is effectively the assessment of the 18,460,759 Taiga Shares, representing 15.87% of the shareholding interest in Taiga based on the outstanding number of Taiga Shares as at 30 June 2018. In this regard, we have considered the following:

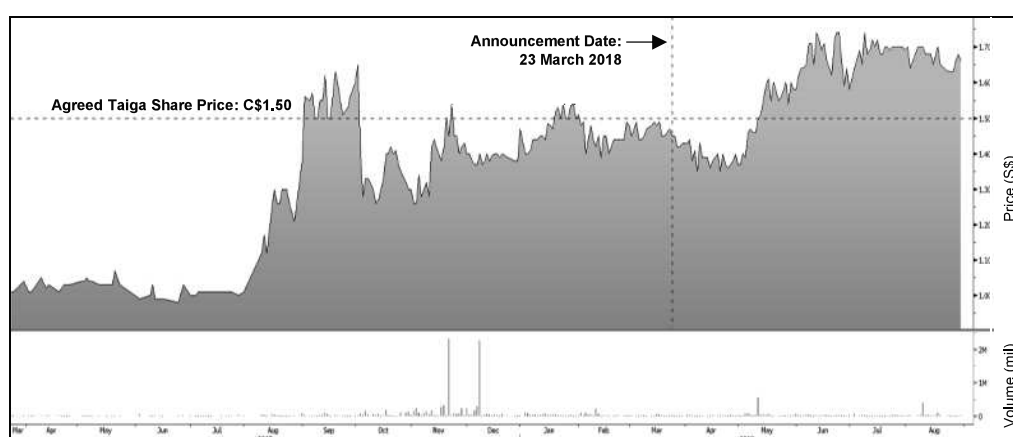
APPENDIX III – IFA LETTER

- (i) historical trading performance of the Taiga Shares;
- (ii) financial information of the Taiga Group; and
- (iii) comparison of valuation ratios of selected listed companies whose businesses are broadly comparable to the Taiga Group.

7.2.1 Historical trading performance of the Taiga Shares

Set out below is the share price performance and trading volume chart of Taiga on the TSX for the last 1-year period prior to the Announcement Date on 23 March 2018 and up to the Latest Practicable Date (“**Period Under Review**”).

**Price movement and trading volume of the Taiga Shares
for the Period Under Review**



Source: Bloomberg L.P., based on the daily last transacted prices of the Taiga Shares for the Period Under Review

The Agreed Taiga Share Price of C\$1.50 represents a slight premium of 2.7% above the last transacted price of C\$1.46 on 21 March 2018 and 2.3% above the VWAP of the Taiga Shares on 21 March 2018, being the day preceding the date of the SPA.

The Taiga Shares had performed well since August 2017 and had traded to a high of C\$1.65 on 2 October 2017 prior to the Announcement Date. From the above share price chart, the Agreed Taiga Share Price is benchmarked against the prevailing market share price at the time of the SPA and the share price trend in the recent months prior to and up to the day preceding the date of the SPA. Overall, the Agreed Taiga Share Price is at a premium above the VWAP for the preceding 1 month, 3 months, 6 months and 1-year period prior and up to 21 March 2018 as follows:

Prior and up to 21 March 2018	VWAP (C\$)	Premium above VWAP (%)
Last 1 month	1.4538	3.2
Last 3 months	1.4433	3.9
Last 6 months	1.3931	7.7
Last 1-year	1.3825	8.5

Since the Announcement and up to the Latest Practicable Date, the Taiga Shares had initially softened slightly and then rebounded to a high of C\$1.74. The Taiga Shares were last

APPENDIX III – IFA LETTER

transacted at C\$1.66 as at the Latest Practicable Date. The Agreed Taiga Share Price of C\$1.50 now represents a discount of 9.6% to the last done price of the Taiga Shares on the Latest Practicable Date.

7.2.2 Financial information of the Taiga Group

The Taiga Group is already treated as a subsidiary of the Group and is a core business of the Group. As mentioned in Sections 4.1, 5.1, 5.2 and 7.2 of this Letter, the rationale for the Proposed Acquisitions is to regain majority control of Taiga and as Taiga is profitable, the Proposed Acquisitions will be earnings accretive. In addition, the Proposed Acquisitions collectively is effectively a “step-up” incremental equity interest of 15.87% in Taiga based on the outstanding number of Taiga Shares as at 30 June 2018.

As the Agreed Taiga Share Price is benchmarked to the then prevailing market share price of Taiga, the valuation of the Taiga Shares implied by the Agreed Taiga Share Price also reflects the then market valuation of the Taiga Shares.

As analysed in Section 5.2.1 of this Letter, based on the latest available financial information of Taiga for HY2018, the Agreed Taiga Share Price of C\$1.50 represents:

- (a) an implied PER of 7.8 times based on the implied market capitalisation of the Taiga Group of C\$174.5 million and the T12M adjusted net profit of the Taiga Group of C\$22.5 million;
- (b) an implied EV/EBITDA of 6.6 times based on implied EV of the Taiga Group of C\$351.1 million and T12M adjusted EBITDA of C\$53.3 million; and
- (c) an implied P/NAV ratio and P/NTA ratio of 1.6 times based on the NAV/NTA of the Taiga Group as at 30 June 2018. The NAV and NTA of the Taiga Group is the same as the Taiga Group does not have any intangible assets.

Taiga had, on 31 July 2018, completed the acquisition of Exterior for a cash consideration of US\$42 million and had disclosed in its HY2018 results announcement that it is in the process of determining the fair values of assets acquired and liabilities assumed, and the provisional purchase price allocation as at the acquisition date.

7.2.3 Comparison of the valuation ratios of selected listed companies whose businesses are broadly comparable to the Taiga Group

For the purpose of assessing the Proposed Acquisitions, we have considered the comparison of valuation ratios of selected companies listed on the TSX, the New York Stock Exchange (“NYSE”) and the Nasdaq Stock Market (“NASDAQ”), whose businesses are broadly comparable to that of the Taiga Group (“Comparable Companies”), that is, wholesale distribution of building materials. For a more meaningful comparison, we have selected such listed companies with a market capitalisation of up to approximately C\$500 million as broad proxies to Taiga. There are only 4 such Comparable Companies.

We had discussions with the Management about the suitability and reasonableness of the selected Comparable Companies acting as a basis for comparison with Taiga. Relevant information has been extracted from Bloomberg L.P., publicly available annual reports and/or public announcements of the Comparable Companies. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The accounting policies of the Comparable Companies with respect to the values for which the assets or the revenue and cost are recorded may differ from that of Taiga.

We wish to highlight that the selected Comparable Companies may not be exhaustive and it should be noted that there may not be any listed company that is directly comparable with Taiga in terms of location, business activities, customer base, size of operations, asset base, geographical spread of activities, geographical markets, track record, financial performance, operating and financial leverage, future prospects, liquidity, quality of earnings, accounting

APPENDIX III – IFA LETTER

policies, risk profile and other relevant criteria. As such, any comparison made herein is necessarily limited and it may be difficult to place reliance on the comparison of valuation statistics for these selected Comparable Companies. Therefore, any comparison made serves only as an illustrative guide.

A brief description of the Comparable Companies, as extracted from Bloomberg L.P., is set out below:

Name	Principal business
Listed on TSX	
CanWel Building Materials Group Ltd ("CanWel")	CanWel distributes building materials and related products from its various warehouses across Canada. CanWel distributes hardware, building materials, lumber, and renovation products.
Goodfellow Inc ("Goodfellow")	Goodfellow distributes and remanufactures sawn timber, lumber, prefinished and unfinished flooring, wood panel products and wood products provided by kiln drying, wood preservation and milling.
Listed on NASDAQ	
Huttig Building Products Inc ("Huttig")	Huttig distributes building materials used primarily in new residential construction and in home improvement, remodeling, and repair work. Huttig's products are distributed through various distribution centers principally to building materials dealers. Huttig's products include doors, windows, moldings, specialty building materials, and lumber.
Listed on NYSE	
BlueLinX Holdings Inc ("BlueLinX")	BlueLinX distributes building products in the United States. BlueLinX's structural products include plywood, oriented strand board, lumber, and other wood products used for structural support. BlueLinX's specialty products include roofing, insulation, molding, engineered wood, vinyl, and metal products.

Source: Bloomberg L.P.

For the purpose of our evaluation and for illustration, we have made a comparison between the Comparable Companies and Taiga on a historical basis using the following metrics:

- (i) The PER which is commonly used for the purpose of illustrating the profitability and hence the valuation of a company as a going concern;
- (ii) The EV/EBITDA ratio which illustrates the ratio of the market value of a company's business relative to its historical pre-tax operating cash flow performance, without regard to the company's existing capital structure; and
- (iii) The P/NTA ratio or NTA approach is used to show the extent the value of each share is backed by net tangible assets. The NTA approach of valuing a group of companies is based on the aggregate value of all the assets of the group in their existing condition, after deducting the sum of all liabilities of the group and intangibles.

Comparable Companies	Last financial year-end	Market capitalisation as at the Latest Practicable Date ('million)	T12M PER ⁽²⁾ (times)	T12M EV/EBITDA ⁽³⁾⁽⁴⁾ (times)	P/NTA ratio ⁽⁵⁾ (times)
Listed on TSX					
CanWel	31 Dec 2017	C\$491.0	12.2	11.0	3.2
Goodfellow	30 Nov 2017	C\$59.5	19.5	11.7	0.6

APPENDIX III – IFA LETTER

Comparable Companies	Last financial year-end	Market capitalisation as at the Latest Practicable Date ('million)	T12M PER ⁽²⁾ (times)	T12M EV/EBITDA ⁽³⁾⁽⁴⁾ (times)	P/NTA ratio ⁽⁵⁾ (times)
Listed on NASDAQ					
Huttig	31 Dec 2017	US\$130.6 (equivalent to C\$169.6 ⁽¹⁾)	n.m. ⁽⁷⁾	35.1 ⁽⁸⁾	2.3
Listed on NYSE					
BlueLinx	31 Dec 2017	US\$335.8 (equivalent to C\$436.0 ⁽¹⁾)	12.5	16.5	n.m. ⁽⁷⁾
High			19.5	35.1	3.2
Low			12.2	11.0	0.6
Mean			14.7	13.0	2.0
Median			12.5	11.7	2.3
Taiga	31 Dec 2017	C\$174.5	7.8⁽⁶⁾	6.6⁽⁶⁾	1.6⁽⁶⁾

Source: Bloomberg L.P., annual report and financial information of the Comparable Companies

Notes:

- (1) Based on the exchange rates of US\$1.00:C\$1.2983 and the last transacted share price of the respective Comparable Companies as at the Latest Practicable Date, as extracted from Bloomberg L.P.;
- (2) The PERs of the Comparable Companies were computed based on (a) their respective latest published T12M earnings, as set out in their latest available financial results as at the Latest Practicable Date, adjusted for exceptional items; and (b) their market capitalisation as at the Latest Practicable Date;
- (3) The EV of the respective Comparable Companies were computed based on (a) their market capitalisation as at the Latest Practicable Date as extracted from Bloomberg L.P.; and (b) their preferred equity, minority interests and net debt (if any), as set out in their respective latest available financial results as at the Latest Practicable Date;
- (4) Based on the respective latest published full year EBITDA or their T12M EBITDA as at the Latest Practicable Date and adjusted for exceptional items, where applicable;
- (5) The P/NTA ratios of the Comparable Companies were computed based on (a) their respective NTA values as set out in their latest available financial results as at the Latest Practicable Date; and (b) their market capitalisation as at the Latest Practicable Date;
- (6) Based on the latest T12M results of Taiga for the 12-month period ended 30 June 2018;
- (7) n.m. means not meaningful due to losses incurred and/or the Net Tangible Liability position by the Comparable Companies; and
- (8) Excluded as statistical outlier for the computation of mean and median.

Based on the above, we note that:

- (a) the PER and the EV/EBITDA ratio of Taiga implied by the Agreed Taiga Share Price are lower than the lower end of the range and hence, significantly below the mean and median of the PER and EV/EBITDA statistics of the Comparable Companies; and
- (b) the P/NTA ratio of 1.6 times implied by the Agreed Taiga Share Price is within the range and below the mean and median of the P/NTA ratios of the Comparable Companies.

APPENDIX III – IFA LETTER

7.3 Assessment of the Issue Price of the Consideration Shares

The Company will be satisfying bulk of the Total Consideration by the issuance of 73,439,000 Consideration Shares at the Issue Price of S\$0.26 each. We understand from the Company that the Issue Price was agreed between the parties to the SPA after taking into consideration the historical Share price performance over the last 1-year prior to the date of the SPA.

The Consideration Shares represent 8.4% of the existing number of issued Shares and 7.7% of the enlarged number of Shares immediately after the Proposed Acquisitions but before the exercise of any of the Warrants.

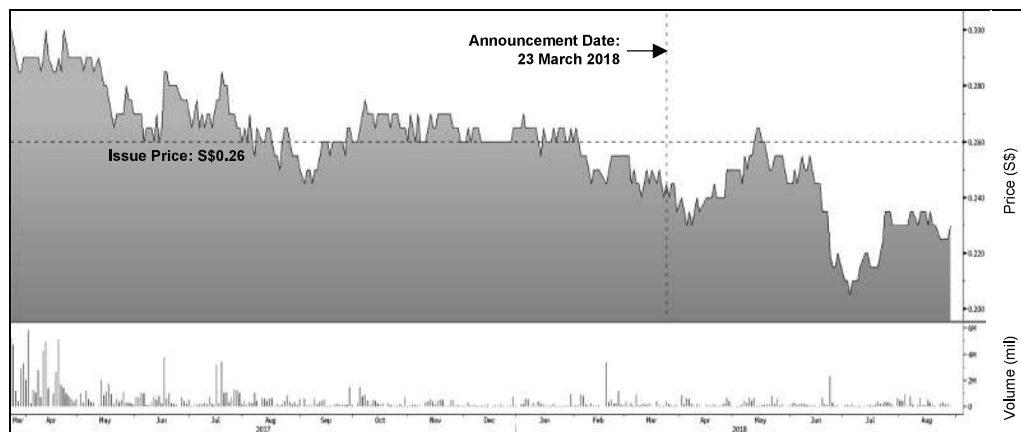
In assessing the Issue Price, we have considered the following:

- (a) historical trading performance of the Shares; and
- (b) PER, P/NAV and P/NTA of the Consideration Shares implied by the Issue Price.

7.3.1 Historical trading performance of the Shares

Set out below is the share price performance and trading volume chart of the Company on the SGX-ST for the Period Under Review.

**Price movement and trading volume of the Shares
for the Period Under Review**



Source: Bloomberg L.P., based on the daily last transacted Share prices for the Period Under Review

The Issue Price represents a premium of 6.1% above the VWAP and the last transacted Share price of S\$0.245 on 21 March 2018, being the day preceding the date of the SPA.

The share price of the Company had been quite volatile over the 1-year period prior to the Announcement Date. Overall, the Issue Price is close to the VWAP for the preceding 1 month, 3 months, 6 months and 1-year prior and up to 21 March 2018 as follows:

Prior and up to 21 March 2018	VWAP (S\$)	Premium/(Discount) above/(to) VWAP (%)
Last 1 month	0.2490	4.4
Last 3 months	0.2535	2.6
Last 6 months	0.2599	0.0
Last 1-year	0.2776	(6.3)

APPENDIX III – IFA LETTER

Since the Announcement and up to the Latest Practicable Date, the Shares had generally traded at below the Issue Price except for the period around mid-May 2018 when the Shares had traded at slightly above the Issue Price.

The Issue Price represents a premium of 13.0% above the last transacted Share price of S\$0.230 on 29 August 2018, being the trading day when the Shares were last transacted prior to the Latest Practicable Date. There were no trades done on the Shares on the Latest Practicable Date.

7.3.2 PER, P/NAV and P/NTA of the Consideration Shares implied by the Issue Price

As analysed in Section 4.2 of this Letter, the Issue Price of S\$0.26 represents:

- (a) an implied PER of 11.9 times based on the implied market capitalisation of the Company of S\$227.9 million and the T12M profit attributable to equity holders of the Company of S\$19.2 million; and
- (b) an implied P/NAV and P/NTA ratios of 1.1 and 1.4 times respectively based on the NAV per Share and NTA per Share as at 30 June 2018.

As the Issue Price is also determined after taking into consideration the historical market Share price over the 1-year period, the valuation of the Shares implied by the Issue Price reflects the market valuation of the Shares.

As the total number of Consideration Shares is not very significant, representing less than 10% of the Company's existing number of Shares, the Issue Price being benchmarked against the historical market Share prices is reasonable. In addition, as the Issue Price is determined at a premium above the VWAP of the Shares on the date of the SPA, the Issue Price is not prejudicial to the interest of the Company and its Independent Shareholders.

7.4 Dilution impact arising from the issuance of the Consideration Shares on the Independent Shareholders

As at the Latest Practicable Date, the Company has 876,667,121 issued Shares and 836,667,121 outstanding Warrants. Each Warrant carries the right to subscribe for one new Share at the exercise price of S\$0.37.

In connection with the Proposed Acquisitions, the Company will be issuing 73,439,000 Consideration Shares, representing 8.4% of the existing number of issued Shares and 7.7% of the enlarged number of Shares immediately after the completion of the Proposed Acquisitions but before the exercise of any of the Warrants. Accordingly, the dilution impact on the shareholding interests of the Independent Shareholders will not be significant. In the event that all the Warrants are exercised into new Shares, the dilution impact arising from the Consideration Shares will be even less significant.

The above dilution impact of the Consideration Shares under the scenarios where none of the Warrants are exercised and where all the Warrants are exercised are set out below.

Scenario	Description
Scenario A –	(i) Issuance of 73,439,000 Consideration Shares for the Proposed Acquisitions; and (ii) None of the Warrants are exercised into New Shares. Number of enlarged Shares = 876,667,121 + 73,439,000 = 950,106,121 Shares

APPENDIX III – IFA LETTER

Scenario	Description
Scenario B –	<p>(i) Issuance of 73,439,000 Consideration Shares for the Proposed Acquisitions; and</p> <p>(ii) All the Warrants are exercised into New Shares.</p> <p>Number of enlarged Shares = 876,667,121 + 73,439,000 + 836,667,121 = 1,786,773,242 Shares</p>

The dilution impact on Genghis and its concert parties, the other substantial Shareholder (Mr Lim Eng Hock), and the Independent Shareholders under the above scenarios are illustrated in the table below. We understand from the Company that Mr Lim Eng Hock is an Independent Shareholder for the purposes of the Proposed Acquisitions.

	Existing shareholding as at the Latest Practicable Date		Scenario A		Scenario B	
	Shares	%	Shares	%	Shares	%
Genghis and its concert parties	224,725,000	25.6	298,164,000	31.4	515,952,900	28.9
Lim Eng Hock	183,246,925	20.9	183,246,925	19.3	366,493,850	20.5
Independent Shareholders	468,695,196	53.5	468,695,196	49.3	904,326,492	50.6
Total	876,667,121	100.0	950,106,121	100.0	1,786,773,242	100.0

As shown in the table above, the dilution impact on the Independent Shareholders is not significant as the number of Consideration Shares to be issued is not very significant.

Genghis and its concert parties will remain as the single largest Shareholder. The Whitewash Resolution will enable Genghis to exceed the 30% trigger point without having to make a mandatory offer for the remaining Shares. However, if all the Warrants are exercised into Shares, including Warrants owned and exercised by Genghis and its concert parties, the shareholding interest of Genghis and its concert parties will fall back to below 30%.

Independent Shareholders should note that the Whitewash Resolution, if approved at the forthcoming EGM, will waive the requirement of Genghis from making the Mandatory Offer for all the remaining Shares at the highest price paid or agreed to be paid by Genghis and its concert parties in the last 6 months preceding the commencement of the offer, as a result of the issuance and allotment of the Consideration Shares.

7.5 Other relevant considerations

7.5.1 Financial effects of the Proposed Acquisitions on the Group

Details on the financial effects of the Proposed Acquisitions are set out in Section 4 of the Circular and are based on, *inter alia*, (a) the audited financial information of the Group for FY2017 and audited consolidated financial statements of the Taiga Group for the financial year ended 31 March 2017 and the audited consolidated financial statements of the Taiga Group for 9M2017. The financial effects are for illustrative purposes only and do not purport to reflect the actual financial effects or the future financial performance of the Company and the Group after the completion of, *inter alia*, the Proposed Acquisitions.

In summary, based on the Company's audited financial statements for FY2017, we note that the Proposed Acquisitions would result in the following financial effects on the Group:

- (i) Share Capital

APPENDIX III – IFA LETTER

The share capital of the Company will increase in line with the issuance of the Consideration Shares for the Proposed Acquisitions.

(ii) NTA of the Group

As the Taiga Group is already treated as a subsidiary of the Group, the Proposed Acquisitions will result in the recognition of a lower amount attributable to non-controlling interests. Hence, the NTA of the Group (attributable to equity holders of the Company) will increase.

(iii) Earnings of the Group

The Proposed Acquisitions are expected to be earnings accretive as the Taiga Group is profitable.

Similar to point (ii) above, the Proposed Acquisitions will result in the recognition of a lower non-controlling interests. Hence, the profit attributable to owners of the Company will be higher.

7.5.2 Mr Tong Kooi Ong and his concert parties remain as the single largest shareholder after the completion of the Proposed Acquisitions

Genghis is a concert party of Mr Tong Kooi Ong. As at the Latest Practicable Date, Mr Tong Kooi Ong and his concert parties is the single largest Shareholder of the Company, holding 25.6% shareholding interest in the Company. Immediately after the completion of the Proposed Acquisitions but before the exercise of any of the Warrants, Mr Tong Kooi Ong and his concert parties will continue to remain as the single largest shareholder of the Company with 31.4% shareholding interest in the Company.

Mr Tong Kooi Ong is the Executive Chairman and CEO of the Company, and his son, Mr Tong Ian, is also an Executive Director of the Company.

8. OUR OPINION

In arriving at our opinion in respect of the Proposed Acquisitions collectively as an Interested Person Transaction and the Whitewash Resolution, we have reviewed and deliberated on the following key considerations which we consider to be pertinent in our assessment:

- (a) rationale for the Proposed Acquisitions;
- (b) assessment of the Total Consideration for the Proposed Acquisitions;
- (c) assessment of the Issue Price of the Consideration Shares;
- (d) dilution impact arising from the issuance of the Consideration Shares on the Independent Shareholders; and
- (e) other relevant considerations.

Overall, based on our analysis and after having considered carefully the information available to us, we are of the opinion that the Proposed Acquisitions collectively as an Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its Independent Shareholders.

In addition, we are of the view that the terms of the Proposed Acquisitions are fair and reasonable, and the Whitewash Resolution is not prejudicial to the interest of the Independent Shareholders. We therefore advise the Independent Directors to

APPENDIX III – IFA LETTER

recommend to the Independent Shareholders to vote in favour of the Whitewash Resolution.

Our opinion, as disclosed in this Letter, is arrived at based on publicly available information and information provided by the Directors and Management and does not reflect any projections of future financial performance of the Company and/or the Group after the completion of the Proposed Acquisitions. In addition, our opinion is based on the economic and market conditions prevailing as at the Latest Practicable Date and is solely confined to our views on the Proposed Acquisitions collectively as an Interested Person Transaction and the Whitewash Resolution.

This Letter is required under Rule 921(4)(a) of the Listing Manual in relation to the Proposed Acquisitions collectively as an Interested Person Transaction and pursuant to the conditions of the Whitewash Waiver, and is addressed to the Independent Directors for their benefit and for the purpose of their consideration of the Proposed Acquisitions collectively as an Interested Person Transaction and the Whitewash Resolution. The recommendation made by the Independent Directors to the Independent Shareholders shall remain their sole responsibility. Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any Shareholder may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose, other than for the purpose of the EGM, and for the purpose of the Proposed Acquisitions collectively as an Interested Person Transaction and the Whitewash Resolution, at any time and in any manner without the prior written consent of Provenance Capital in each specific case.

Our opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
PROVENANCE CAPITAL PTE. LTD.

Wong Bee Eng
Chief Executive Officer

NOTICE OF EXTRAORDINARY GENERAL MEETING

AVARGA LIMITED

(Formerly known as UPP Holdings Limited)

(Incorporated in the Republic of Singapore)

(Company Registration No. 196700346M)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Avarga Limited (the “**Company**”) will be held at Room 503, Level 5, RELC International Hotel, 30 Orange Grove Road, Singapore 258352 on 28 September 2018 at 10.30 a.m. for the purpose of considering and, if thought fit, passing with or without amendment, the following ordinary resolutions:

ORDINARY RESOLUTION 1:

Proposed Acquisitions and the proposed allotment and issue of 73,439,000 Consideration Shares

That contingent upon the passing of Ordinary Resolution 2 set out herein:

(a) approval be and is hereby given for the Company to acquire:

- (i) 10 common shares without par value in the authorised share structure of Kublai Canada Limited (the “**Target**”) and 9,216,100 preferred shares with a par value of C\$1.00 each in the authorised share structure of the Target; and
- (ii) the debt owed by the Target to Genghis S.à.r.l. (“**Genghis**”) in the principal amount of Canadian Dollars (“**C\$**”) 13,824,049.60 bearing interest at a rate of 9% per annum,

(collectively, the “**Proposed Acquisitions**”),

for an aggregate consideration of C\$27,709,209.50, which shall be payable to Genghis by a combination of cash in the amount of C\$8,804,120.38 and the issuance of 73,439,000 ordinary shares in the capital of the Company (the “**Consideration Shares**”) at an issue price of Singapore Dollar (“**S\$**”) 0.26 per Consideration Share on the terms and subject to the conditions of the sale and purchase agreement dated 22 March 2018 as amended by the supplementary agreement dated 17 July 2018 entered into between the Company and Genghis;

- (b) approval be and is hereby given for the allotment and issuance of the 73,439,000 Consideration Shares to Genghis and/or its nominee(s) to satisfy part of the aggregate consideration for the Proposed Acquisitions; and
- (c) any of the directors of the Company (the “**Directors**”) be and is hereby authorised to complete and do all acts and things as he may consider necessary or expedient for the purposes of or in connection with the Proposed Acquisitions and to give effect to this resolution as he shall think fit in the interests of the Company.

NOTICE OF EXTRAORDINARY GENERAL MEETING

ORDINARY RESOLUTION 2:

Whitewash Resolution

That subject to and contingent upon the passing of Ordinary Resolution 1 and the conditions in the letter from the Securities Industry Council dated 24 May 2018 being fulfilled, the Shareholders (other than Genghis, parties acting in concert with it and parties not independent of them), do hereby, on a poll taken, unconditionally and irrevocably waive their rights to receive a general offer from Genghis in accordance with Rule 14 of the Singapore Code on Take-overs and Mergers, for all the Shares not already owned by Genghis and its concert parties, as a result of the allotment and issue of the 73,439,000 Consideration Shares to Genghis pursuant to the Proposed Acquisitions.

ORDINARY RESOLUTION 3:

Proposed Diversification

That:

- (a) approval be and is hereby given for the Proposed Diversification and for the Company and its subsidiaries to engage in the Investment Business and any other activities necessary or desirable in connection therewith; and
- (b) the Directors (or any of them) be and are hereby authorised to take such steps and do all such acts and things (including without limitation, to sign, seal, execute and deliver all such documents and deeds), and to exercise such discretion in relation to the Proposed Diversification as they or he may deem fit, with such modifications thereto (if any) as they or he may consider necessary, desirable or expedient, in order to give full effect to this resolution.

BY ORDER OF THE BOARD
AVARGA LIMITED

Tong Kooi Ong
Executive Chairman and Chief Executive Officer

13 September 2018

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:—

1. (a) A member (otherwise than a relevant intermediary) is entitled to appoint not more than two proxies to attend, speak and vote at the Extraordinary General Meeting. Where such member appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Extraordinary General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

“Relevant intermediary” means:

- (i) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
 - (iii) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under the Central Provident Fund Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
2. A proxy need not be a Member of the Company.
 3. If the appointor is a corporation, the proxy form must be executed under seal or the hand of its attorney or officer duly authorised.
 4. The instrument or form appointing a proxy, duly executed, must be deposited at the office of the Company’s registrar, **M & C Services Private Limited at 112 Robinson Road #05-01, Singapore 068902** not less than 72 hours before the time appointed for the holding of the Extraordinary General Meeting in order for the proxy to be entitled to attend and vote at the Extraordinary General Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Extraordinary General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the Extraordinary General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Extraordinary General meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”), (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.

AVARGA LIMITED

(Formerly known as UPP Holdings Limited)
(Incorporated in the Republic of Singapore)
(Company Registration No. 196700346M)

PROXY FORM

IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than 2 proxies to attend, speak and vote at the Extraordinary General Meeting.
2. For CPF/SRS investors who have used their CPF monies to buy Avarga Limited shares, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their CPF Approved Nominees if they have any queries regarding their appointment as proxies (Please see Note 3).
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 13 September 2018.

I/We _____ (Name) _____ (NRIC/Passport No./Co Reg Number) of _____ (Address) being a member/members of Avarga Limited (the "**Company**"), hereby appoint:–

Name	Address	NRIC/ Passport No.	Proportion of Shareholding	
			No. of Shares	%
and/or (please delete as appropriate)				

as my/our proxy/proxies to vote for me/us on my/our behalf at the EGM to be held at Room 503, Level 5, RELC International Hotel, 30 Orange Grove Road, Singapore 258352 on 28 September 2018 at 10.30 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/their discretion.

No.	Ordinary Resolutions	Number of votes For*	Number of votes Against*
1.	To approve the Proposed Acquisitions		
2.	To approve the Whitewash Resolution		
3.	To approve the Proposed Diversification		

* If you wish to use all your votes "For" or "Against", please indicate with an "X" within the box provided. Otherwise, please indicate number of votes "For" or "Against" for each resolution within the box provided.

Dated this _____ day of _____ 2018

Total Number of Shares Held (see Note 1)

Signature(s) of Member(s) or Common Seal

IMPORTANT – Please read notes overleaf

NOTES TO PROXY FORM:

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2. (a) A member (otherwise than a relevant intermediary) is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

"Relevant intermediary" means:

- (i) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
 - (iii) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under the Central Provident Fund Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. CPF/SRS investors whose names have been given by their CPF Approved Nominees to the Company or the Company's share registrar, as the case may be, pursuant to a blanket proxy form may attend and vote in person at the meeting. In the event that such CPF/SRS investors are unable to attend the meeting but would like to vote, they should inform their CPF Approved Nominees to appoint the Chairman of the meeting to act as their proxy, in which case they shall be precluded from attending the meeting.
 4. A proxy need not be a member of the Company.
 5. The instrument appointing a proxy or proxies must be deposited at the office of the Company's registrar, **M & C Services Private Limited at 112 Robinson Road #05-01, Singapore 068902** not less than 72 hours before the time appointed for holding the meeting.
 6. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the meeting.
 7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
 8. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
 9. The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.