



UPP HOLDINGS LIMITED

*(Incorporated in the Republic of Singapore)
(Company Registration No. 196700346M)*

PROPOSED ACQUISITIONS OF COMMON SHARES AND UNSECURED SUBORDINATED NOTES IN THE CAPITAL OF TAIGA BUILDING PRODUCTS LTD.

1. INTRODUCTION

1.1 The board of directors (the “**Board**” or “**Directors**”) of UPP Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce that the Company has entered into the following agreements on 5 October 2016:

- (a) conditional share purchase agreement (the “**Berjaya SPA**”) between the Company, Berjaya Forest Products (Luxembourg) S.A.R.L. (“**Berjaya Forest**”) and Berjaya Corporation Berhad in relation to the proposed acquisition of 12,669,808 common shares (the “**Taiga Shares**”) held by Berjaya Forest representing approximately 39.09% of the capital of Taiga Building Products Ltd. (“**Taiga**”) for a purchase consideration of Canadian Dollars (“**C\$**”) 12,669,808 in cash;
- (b) conditional note purchase agreement (the “**Berjaya NPA**”) between the Company, Berjaya Forest and Berjaya Corporation Berhad in relation to the proposed acquisition of C\$46,008,796.98 principal amount of 14% unsecured subordinated notes issued by Taiga (the “**Taiga Notes**”) held by Berjaya Forest representing approximately 35.71% of the outstanding Taiga Notes for a purchase consideration of C\$52,910,116.53 in cash; and
- (c) conditional share purchase agreement (the “**Genghis SPA**”) between the Company and Genghis S.a.r.l. (“**Genghis**”) in relation to the proposed acquisition of 6,238,400 Taiga Shares held by Genghis representing approximately 19.25% of the capital of Taiga for a purchase consideration of C\$6,238,400 in cash,

(the acquisitions contemplated under the Berjaya SPA and the Berjaya NPA collectively, the “**Proposed Berjaya Acquisition**”, the acquisition contemplated under the Genghis SPA, the “**Proposed Genghis Acquisition**” and the Proposed Berjaya Acquisition and Proposed Genghis Acquisition collectively, the “**Proposed Acquisitions**”).

1.2 The Proposed Acquisitions constitute a major transaction as defined in Chapter 10 of the Listing Manual (“**Listing Manual**”) issued by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

2. INFORMATION ON TAIGA

2.1 Background Information

Based on information publicly available in Canada and filed by Taiga on the System for Electronic Document Analysis and Retrieval (SEDAR) and as disclosed by Taiga on its corporate website:

- (a) Taiga was established in 1973 and is a public company incorporated in Canada and listed on the Toronto Stock Exchange since 1993. It has a total issued and paid-up ordinary share capital of C\$13,229,000 comprising 32,414,278 shares; and
- (b) Taiga owns and operates 3 wood preservation plants that produce pressure-treated wood products. It is also a wholesale distributor of building materials. It has 15 distribution centres in Canada and 2 distribution centres in California, USA. Taiga's products include panel products, mouldings, doors and other specialty products. It also exports its products to Pacific Rim countries, Central and South America, the Middle East and Europe. Its products are used to build homes and commercial installations.

2.2 Tax Audit Liability

The Canada Revenue Agency has 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 is up to approximately C\$41 million, including interest.

Taiga has formal written agreements with Berjaya Forest and Genghis that fully indemnify it from the Tax Audit Liability. As a consequence, the Tax Audit Liability is not expected to have any impact on Taiga's financial condition, results of operations or cash flows. 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.

2.3 Information Relating to Taiga Notes

Under the terms of a notes indenture dated 1 September 2005 (the "**Indenture**"), Taiga Notes are unsecured, bear interest at 14% per annum and mature on 1 September 2020. Interest on the Taiga Notes is payable on the 15th day following the end of each month as an annual interest sum divided by 12. The aggregate principal amount of the Taiga Notes that may be issued under the Indenture is unlimited. The terms, conditions and covenants of the Indenture were met during Taiga's financial year ended 31 March 2016.

3. **RATIONALE FOR THE PROPOSED ACQUISITIONS**

- 3.1 The Directors believe that the Proposed Acquisitions are beneficial to the Group as this is earnings accretive, and would enable the Group to undertake a separate line of business as well as expand its geographical presence beyond Southeast Asia.
- 3.2 Taiga has been in the same business for 43 years, and has carved a viable business as the largest wholesale distributor of building materials in Canada, with annual sales of over C\$1.3 billion.

4. **MATERIAL TERMS OF THE PROPOSED ACQUISITIONS**

4.1 Purchase Consideration

The purchase consideration for each of the Proposed Acquisitions was arrived at based on arm's length negotiations, taking into consideration, amongst others, the value of Taiga Shares and Taiga Notes, as well as Taiga's earnings.

The purchase consideration for the Taiga Shares represents an attractive net price/earnings ratio of 2.8 times based on the audited accounts of Taiga for the financial year ended 31 March 2016. The Company also took into account that the purchase consideration in respect of the Taiga Notes will give the Company a before tax yield of 12.2%.

The consideration payable to Berjaya Forest under each of the Berjaya SPA and the Berjaya NPA will be made in cash on completion of the separate acquisitions of Taiga Shares and Taiga Notes from Berjaya Forest. The consideration payable to Genghis under the Genghis SPA will be made in cash on completion of the proposed acquisition of Taiga Shares from Genghis.

4.2 Conditions Precedent

(a) Berjaya SPA

Pursuant to the terms of the Berjaya SPA, completion of the acquisition of Taiga Shares from Berjaya Forest is subject to and conditional upon, *inter alia*, the following conditions precedent being satisfied in full on or before the date that is the third business day following the satisfaction or waiver of the conditions precedent, as the case may be:

- (i) the Company having received the approval of the Shareholders authorizing the proposed acquisition of Taiga Shares from Berjaya Forest in accordance with the laws of the jurisdiction governing its corporate existence and the rules and policies of the SGX-ST;
- (ii) the requisite approval from the Canadian Competition Bureau in respect of the proposed acquisition of Taiga Shares from Berjaya Forest having been obtained;
- (iii) where required, approval of the proposed acquisition of Taiga Shares from Berjaya Forest by the SGX-ST, 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;
- (iv) the written consent of the syndicate of lenders led by JPMorgan Chase Bank pursuant to the credit agreement entered into by Taiga as of July 22, 2010 and amended and restated as of November 25, 2013 to the change of controlling shareholder of Taiga as contemplated under the Berjaya SPA;
- (v) a written consent of Taiga pursuant to the tax indemnity agreement between Berjaya Forest and Taiga dated 9 March 2015 to the sale and transfer of the Purchased Shares by Berjaya Forest to the Company, and where Taiga's consent is obtained subject to any conditions which may be imposed by Taiga, such conditions being acceptable to the Company, acting reasonably; and
- (vi) all third party consents, approvals, authorizations and waivers required by a change of control of Taiga, whether under the applicable law, contract or otherwise, and where the consent, approval, authorization or waiver of a third party is obtained by Taiga subject to any conditions which may be imposed by the third party, such conditions being acceptable to the Company, acting reasonably.

(b) Berjaya NPA

Pursuant to the terms of the Berjaya NPA, completion of the acquisition of Taiga Notes from Berjaya Forest is subject to and conditional upon, *inter alia*, the following conditions precedent being satisfied in full on or before the date that is the third business day following the satisfaction or waiver of the conditions precedent, as the case may be:

- (i) the Company having received the approval of the Shareholders authorizing the proposed acquisition of Taiga Notes from Berjaya Forest in accordance with the laws of the jurisdiction governing its corporate existence and the rules and policies of the SGX-ST;
 - (ii) where required, approval of the proposed acquisition of Taiga Shares from Berjaya Forest by the SGX-ST, 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;
 - (iii) the Company, Berjaya Forest and Berjaya Corporation Berhad shall have completed the transactions contemplated by the Berjaya SPA; and
 - (iv) a written consent of Taiga pursuant to the tax indemnity agreement between Berjaya Forest and Taiga dated 9 March 2015 to the sale and transfer of Berjaya Forest's Taiga Notes to the Company, and where Taiga's consent is obtained subject to any conditions which may be imposed by Taiga, such conditions being acceptable to the Company, acting reasonably.
- (c) Genghis SPA

Pursuant to the terms of the Genghis SPA, completion of the Proposed Genghis Acquisition is subject to and conditional upon, *inter alia*, the following conditions precedent being satisfied in full on or before the date that is the third business day following the satisfaction or waiver of the conditions precedent, as the case may be:

- (i) the Company having received the approval of the Shareholders authorizing the Proposed Genghis Acquisition in accordance with the laws of the jurisdiction governing its corporate existence and the rules and policies of the SGX-ST;
- (ii) the requisite approval from the Canadian Competition Bureau in respect of the Proposed Genghis Acquisition having been obtained;
- (iii) where required, approval of the Proposed Genghis Acquisition by the SGX-ST, 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;
- (iv) a written consent of Taiga pursuant to the tax indemnity agreement between Genghis and Taiga dated 9 March 2015 to the sale and transfer of the Purchased Shares by Genghis to the Company, and where Taiga's consent is obtained subject to any conditions which may be imposed by Taiga, such conditions being acceptable to the Company and Genghis, acting reasonably; and
- (v) the acquisition of Taiga Shares pursuant to the Berjaya SPA shall be completed prior to or simultaneously with the completion of the transactions contemplated by the Genghis SPA.

4.3 Guarantee

Berjaya Forest is an indirect wholly-owned subsidiary of Berjaya Corporation Berhad. Berjaya Corporation Berhad has agreed to guarantee the due performance of the obligations of Berjaya Forest under the Berjaya SPA and the Berjaya NPA.

4.4 Completion

Completion of the acquisition of Taiga Notes pursuant to the Berjaya NPA is conditional upon the completion of the sale and purchase of the Taiga Shares under the Berjaya SPA.

Completion of the acquisition of Taiga Shares pursuant to the Genghis SPA is conditional upon the transactions contemplated by the Berjaya SPA being completed prior to or simultaneously with the completion of the transactions contemplated by the Genghis SPA.

It is envisaged that completion of the Proposed Acquisitions shall take place simultaneously.

5. **SOURCE OF FUNDS FOR THE PROPOSED ACQUISITIONS**

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

6. **FINANCIAL INFORMATION AND IMPACT OF THE PROPOSED ACQUISITIONS**

6.1 Value of Taiga

Based on the audited accounts of Taiga for the financial year ended 31 March 2016, the negative net tangible asset value of Taiga is C\$26,543,000. The market value of Taiga's shares as at the day immediately preceding the date of this Announcement (as determined by the simple average of the closing market price of Taiga's shares traded on the Toronto Stock Exchange for each business day on which there was a closing price in the 20 business days preceding 5 October 2016) is C\$1.02.

As at the date of this Announcement, the market value of Taiga Notes as determined by the closing market price of the Taiga Notes traded on the Toronto Stock Exchange on 4 October 2016 was C\$51,989,940.58.

No valuation was commissioned in relation to the Taiga Shares and/or the Taiga Notes.

6.2 Financial Effects of the Proposed Acquisitions

For the purposes of illustration only and based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2015 ("FY 2015"), the financial effects of the Proposed Acquisition are as follows:

(a) Earnings per Share ("EPS")

Assuming that the Proposed Acquisitions were completed on 1 January 2015, the effect of the Proposed Acquisitions on the EPS of the Group for FY2015 will be as follows:-

	Before the Proposed Acquisitions	After the Proposed Acquisitions
Net profit attributable to the shareholders of the Company (S\$'000)	12,785	20,954
Number of ordinary shares in the capital of the Company ("Shares")	836,667,121	836,667,121
EPS (cents)	1.53	2.50

(b) Net Tangible Assets (“NTA”)

Assuming that the Proposed Acquisitions were completed on 31 December 2015, the effect of the Proposed Acquisitions on the NTA of the Group for FY2015 will be as follows:

	Before the Proposed Acquisitions	After the Proposed Acquisitions
NTA attributable to the shareholders of the Company (S\$'000)	178,157	143,733
Number of Shares	836,667,121	836,667,121
NTA per Share (cents)	21.29	17.18

7. MAJOR TRANSACTION UNDER CHAPTER 10 OF THE LISTING MANUAL

7.1 For the purposes of Chapter 10 of the Listing Manual, the relative figures for the Proposed Acquisitions using the bases of comparison 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
(b)	The net profits attributable to the assets acquired, compared with the Group's net profits.	302.55% ⁽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.	47.16% ⁽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.	Not applicable
(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

Notes:-

- (1) Under Rule 1002(3)(b) of the Listing Manual, “net profits” means profit or loss before income tax, minority interests and extraordinary items. The Group announced unaudited net profits of S\$4,017,000 for the half year period ended 30 June 2016.
- (2) In relation to the relative figure under Rule 1006(b), Rule 1015(7) of the Listing Manual provides that Rule 1015 (which sets out the requirements in relation to very substantial acquisitions or reverse takeovers) does not apply in the case of an acquisition of profitable assets if the only limit breached is Rule 1006(b). Accordingly, since only the relative figure in Rule 1006(b) exceeds 100%, the Proposed Acquisitions do not constitute a very substantial acquisition.
- (3) The Company’s market capitalisation is determined by multiplying the number of shares of the Company in issue excluding treasury shares (836,667,121) by the weighted average price of the Company’s shares on 4 October 2016 (being the market day immediately preceding the date of the Agreements) of S\$0.1897 per share.

7.2 As the applicable relative figures computed under Rule 1006(b) and Rule 1006(c) of the Listing Manual exceeded 20%, the Proposed Acquisitions constitute a “major transaction” as defined in Chapter 10 of the Listing Manual. Accordingly, the Proposed Acquisitions are conditional upon approval by the Shareholders in a general meeting.

8. THE PROPOSED GENGHIS ACQUISITION AS AN INTERESTED PERSON TRANSACTION

- 8.1 Genghis is controlled by a trust of which Mr Tong Kooi Ong, a director of the Company, is the sole beneficiary. Accordingly, Mr Tong Kooi Ong is the beneficial owner of (i) 6,238,400 Taiga Shares representing approximately 19.25% of the capital of Taiga and (ii) C\$22,153,990 principal amount of the Taiga Notes representing approximately 17.20% of the outstanding Taiga Notes. Mr Tong Kooi Ong is also the chairman and a director of Taiga. His son, Mr Ian Tong, is a director of Taiga as well.
- 8.2 Genghis, being an associate of Mr Tong Kooi Ong, 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 Genghis’ interest in Taiga, the Proposed Genghis Acquisition will involve a transaction between the Company (as an entity at risk) and Genghis (as an interested person).
- 8.3 Based on the latest audited consolidated financial statements of the Group for FY2015, the audited consolidated NTA of the Group was approximately S\$178,157,000. For the purposes of Rule 905 of the Listing Manual, the value of the Proposed Genghis Acquisition of C\$6,238,400 is approximately 3.6% of the latest audited consolidated NTA of the Group. As such, the Proposed Genghis Acquisition is not subject to Shareholders’ approval for the purposes of Chapter 9 of the Listing Manual.
- 8.4 Pursuant to Rule 917(4) of the Listing Manual, the Audit and Risk Management Committee of the Company, having considered the terms of the Genghis SPA, is of the view that the Proposed Genghis Acquisition is on normal commercial terms, and will not be prejudicial to the interests of the Company and its minority Shareholders.
- 8.5 Save for the Proposed Genghis Acquisition, there were no transactions with any interested persons in the current financial year as at the date of this Announcement:

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed above, none of the Directors (other than in his capacity as Director or Shareholder) or controlling Shareholders (other than through their respective shareholdings in the Company) has any interest, direct or indirect, in the Proposed Acquisitions.

10. NO SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisitions. Accordingly no service contract is proposed to be entered into between the Company and any such person.

11. EXTRAORDINARY GENERAL MEETING AND CIRCULAR TO SHAREHOLDERS

A circular to the Shareholders containing further details of the Proposed Acquisitions and enclosing a notice of extraordinary general meeting to be convened in connection with the Proposed Acquisitions will be despatched by the Company to the Shareholders in due course. In the meantime, Shareholders are advised to refrain from taking any action in relation to their shares in the Company which may be prejudicial to their interests until they or their advisers have considered the information and recommendations to be set out in the circular.

12. DOCUMENTS FOR INSPECTION

A copy of each of the agreements relating to the Proposed Acquisitions will be made available for inspection during normal business hours at the registered office of the Company at 1 Kim Seng Promenade #13-10 Great World City West Tower, Singapore 237994 for three (3) months from the date of this Announcement.

BY ORDER OF THE BOARD

Khoo Hsien Ming, Kevin
Executive Director

5 October 2016