UPP HOLDINGS LIMITED

STEPS WELL CLIMBED

ANNUAL REPORT 2017

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tong Kooi Ong
Executive Chairman and Chief Executive Officer

Koh Wan Kai
Executive Director, Paper Manufacturing

Khoo Hsien Ming Kevin
Executive Director, Investments and Power Generation

Tong Ian
Executive Director, Operations and Building Materials Distribution

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

COMPANY SECRETARY

Song Ruoh Jin

AUDIT AND RISK MANAGEMENT COMMITTEE

Gary Ho Kuat Foong *(Chairman)*
Ng Shin Ein
Ong Pang Liang
Kalimullah Bin Masheerul Hassan
Garson David Lee

NOMINATING COMMITTEE

Kalimullah Bin Masheerul Hassan *(Chairman)*
Gary Ho Kuat Foong
Ong Pang Liang
Ng Shin Ein

REMUNERATION COMMITTEE

Ng Shin Ein *(Chairman)*
Kalimullah Bin Masheerul Hassan
Ong Pang Liang
Garson David Lee

REGISTERED OFFICE

1 Kim Seng Promenade
#13-10 Great World City West Tower
Singapore 237994
Tel: (65) 6836 5522
Fax: (65) 6836 5500
E-mail: admin@upp-group.com
Website: http://www.upp-group.com

SHARE REGISTRAR

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

AUDITORS

Nexia TS Public Accounting Corporation
100 Beach Road
#30-00 Shaw Tower
Singapore 189702
Philip Tan Jing Choon *(Director in-charge)*

BANKERS

CIMB Bank Berhad
Malayan Banking Berhad
United Overseas Bank Limited
DBS Bank Limited
The Bank of East Asia, Limited

OUR **BUSINESSES**

PAPER MANUFACTURING

Staff unloading pallets


Interior of the paper factory


The office and factory in Ijok, Malaysia


Staff monitoring water condition at the water treatment plant


Staff performing QC test on paper products

Staff unloading waste paper

POWER GENERATION

Exterior of Ywama Power Plant in Myanmar


Interior of the power plant

Our Operations and Maintenance (O&M) team, MSP Cat

O&M staff maintaining the water cooling system

The control room

BUILDING MATERIALS DISTRIBUTION

The new warehouse management system launched in 2015


Taiga's Calgary branch with a yard size of 14 acres

Siding stocks in the warehouse


Open moulding and siding lifts on racks


Taiga Logistics truck loaded with Top Choice pressure treated lumber

Milton Office in Ontario, one of Taiga's largest operations

Taiga sales office in Langley, British Columbia


Loading area in Langley, British Columbia

CHAIRMAN AND CEO'S **STATEMENT**

Dear Fellow Shareholders,

BUILDING VALUE

In my Chairman's Statement last year, I discussed how we gradually built your Company from 2012 to 2016; both the existing business (paper manufacturing in Malaysia) as well as the new power plant in Myanmar.

From a loss of $0.4 million in 2011, profit before tax has exceeded $13 million annually since 2015. Net cash provided by operating activities has exceeded $18 million annually. We have paid a consistent dividend of one cent per share since 2015. Your Company's total assets have grown from $129 million to $190 million and total shareholder's equities from $119 million to $184 million since 2011.

Your Company's share price was 9 cents as at 30 December 2011, with a market capitalisation of $61 million. At the time of writing this commentary, our share price is 26 cents with a market capitalisation of $228 million. Taking into account a share placement of $41.2 million in 2012 and another $10 million in March 2017, the Company's market capitalisation has increased by almost 3 times over the past 6 years.

The higher valuation no doubt reflects the stronger earnings and cash flows of the paper and power businesses.

The paper manufacturing business in Malaysia saw a revenue growth of 24% from 2011 to 2016 and a net profit increase of 7 times from RM3.5 million to RM23.6 million, with additional investment of only RM2.4 million in 2015 to increase capacity.

Earnings before interest, taxes, depreciation and amortization ("**EBITDA**") margins improved from 9% in 2011 to 20% in 2016, while Return on Assets ("**ROA**") jumped from 1.6% to 10.6% despite rising cost of energy and wages.

In 2014, we began operating our new power generation business in Myanmar. We are contracted to sell a minimum of 350 million kWh per year, for a period of 30 years, to the Myanmar Government. Sales are in US dollars. Operations and maintenance are contracted out. Total investment was $58.8 million (US$46.5 million). It has contributed about $7 million annually of pre-tax profit.

New Growth Phase from Taiga (2017-2020)

In January 2017, we entered our next growth phase and acquired 58.34% of the common shares and C$46 million principal amount of the 14% unsecured subordinated notes of Taiga Building Products Ltd ("**Taiga**") of Canada for a total consideration of C$71.8 million.

Established in 1973 and listed on the Toronto Stock Exchange, Taiga is Canada's largest wholesale distributor of building materials, with 15 distribution centres across Canada and 2 in California as well as 6 reload stations in the USA. Annual sales are in excess of C$1.3 billion.

In the annual report last year, I articulated Taiga's business model and the reasons for its success, albeit simplified. It is a listed company, so information about the company is easily accessible. I am also an interested party as I became a shareholder and Chairman of the Board since 2004. Indeed, I was the CEO from 2005 to 2008. I do have a little knowledge of the business of Taiga, to write with some authority.

We acquired Taiga at a net price earnings multiple of less than 4 times. In terms of enterprise value to EBITDA, it was less than 5 times. The subordinated notes were acquired at a yield of over 12%.

Eleven months of Taiga's financial performance was incorporated into this year's financial results of UPP, and this accounted for the main changes in the financial statements this year.

CHAIRMAN AND CEO'S **STATEMENT**

For the calendar year 2017, Taiga achieved a sales of C$1.39 billion, a gross profit of C$123 million and adjusted EBITDA of C$47.7 million (after adding back an extraordinary non-cash accounting loss of C$18.6 million from the conversion of the loan notes to ordinary shares). This was the best performance in its 44-year history. This was partly due to the high lumber prices, the recovery in USA housing starts and strong Canadian housing market, our highly incentivised management and sales force, as well as operational efficiencies and cost management.

However, for accounting purpose, reported EBITDA is C$29.2 million and net loss is C$3.9 million. As mentioned above, this is due to the extraordinary non-cash loss of C$18.6 million.

Taiga undertook a restructuring of its loan notes in 2017. A total of C$101.29 million of Taiga's C$128.8 million outstanding loan notes were converted into 84.4 million ordinary shares of Taiga on 17 November 2017, at a ratio of C$1.20 face value of loan notes for each new ordinary share of Taiga. At the point when the ordinary shares were issued, Taiga's quoted share price was C$1.42. The difference between C$1.42 and the issue price of C$1.20, multiplied by the number of new ordinary shares issued, was recognised as a loss for the year arising from the conversion of the loan notes to ordinary shares. The C$18.6 million extraordinary loss was due to this and is in line with IFRS 9, using equities to extinguish debt.

However, at the UPP Group level, this extraordinary loss at Taiga was completely reversed by an extraordinary gain from the redemption of exactly the same Taiga's loan notes. These notes were costed at C$1.15 at UPP, as per the earlier acquisition from Berjaya and Genghis. When Taiga redeemed these notes at C$1 each, it gives rise to an extraordinary non-cash gain of C$0.15 for each loan note redeemed or converted into ordinary shares of Taiga.

The exercise to convert the loan notes to ordinary shares strengthened the balance sheet of Taiga, reduced cash outflow, enhanced its earnings and enabled Taiga to expand and create new opportunities.

Consolidated into UPP, our revenue shot up from $63.3 million to $1.45 billion. Pre-tax profit increased by 91% from $13.1 million to $25.1 million and net profit jumped 55% from $13.1 million to $20.4 million. Consequently, our earnings per share ("**EPS**") is now 1.88 cents.

UPP's accounting profit before tax of $25.1 million would have been $39.1 million before the purchase price allocation fair valuation adjustment for the acquisition of Taiga, in line with accounting rule FRS 103.

We expensed off $8.5 million for inventories fair value and $4.3 million as amortisation of intangible assets. While the amortisation of intangible assets will likely recur for the next 6 years, the inventory loss is a one-off event.

The above follows the determination of the fair value of the assets and liabilities of Taiga at the point of acquisition in January 2017. Taiga's inventories were revalued upwards by C$8 million. Consequently, we had to book an additional expenses of $8.5 million for the year ended 31 December 2017 as these "revalued" inventories were deemed to have been sold off.

A fair value of C$21.9 million for "customer relationships" and C$7.5 million for "favourable leases" on Taiga's premises was recorded. Consequently, these intangible assets have to be amortised yearly, lowering the consolidated accounting profits.

Do not worry if you cannot fully understand the accounting treatments above. The most important point is that they have no cash flow effect on your Company and that profits would have been a lot higher if not for these one-off extraordinary items.

I did accounting theory as a graduate student in university and I understand the reasons. But I am not convinced it presents a more "true and fair view" or that it makes the financial numbers more relevant for the capital markets or more reflective of the Company's valuation. Stock prices went up after the corporate exercise because the transaction was value-accretive, but the gains on stock price was recognised as an accounting loss. And to be able to assign a value to "customer relationships" of C$21.9 million for a 44 year-old company with sales of C$1.4 billion, EBITDA of C$48 million and 459 employees is really quite impressive. I think economists, analysts and actuarial scientists have a lot to learn from accountants.

CHAIRMAN AND CEO'S **STATEMENT**

Our key financial highlights, segmental contribution and Taiga's financial performance are in the tables below.

Key financial highlights of UPP Holdings Limited

	For the Financial Year Ended 31 December						
	2017	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Revenue	1,455,163	63,347	61,103	116,901	48,087	49,996	51,125
Pre-tax profit	25,148	13,144	13,255	9,694	1,489	2,423	(398)
Net profit	20,364	13,128	13,241	9,658	1,468	2,517	(445)
Total assets	505,146	190,104	188,970	189,026	182,087	183,141	129,255
Total equity	265,175	183,742	183,434	182,628	174,364	172,827	119,121
Net Earnings Per Share (EPS)	1.88	1.50	1.53	1.07	0.11	0.30	(0.11)

Profit/(loss) contributions by Paper Mill, Power Plant and Taiga

	For the Financial Year Ended 31 December						
	2017	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Segmental revenue							
Paper mill (Malaysia)	54,257	50,048	49,157	47,847	46,797	48,723	49,861
Power plant (Myanmar)	11,732	13,299	11,946	68,327	–	–	–
Taiga (Canada)	1,389,174	–	–	–	–	–	–
Others	–	–	–	727	1,290	1,273	1,264
Total revenue	1,455,163	63,347	61,103	116,901	48,087	49,996	51,125
Segmental pre-tax profit/(loss)							
Paper mill (Malaysia)	8,338	7,880	6,371	4,915	3,765	3,767	1,366
Power plant (Myanmar)	6,887	8,141	7,834	6,292	–	–	–
Taiga (Canada)	18,497	–	–	–	–	–	–
Others	(8,574)	(2,877)	(950)	(1,513)	(2,276)	(1,344)	(1,764)
Total pre-tax profit/(loss)	25,148	13,144	13,255	9,694	1,489	2,423	(398)

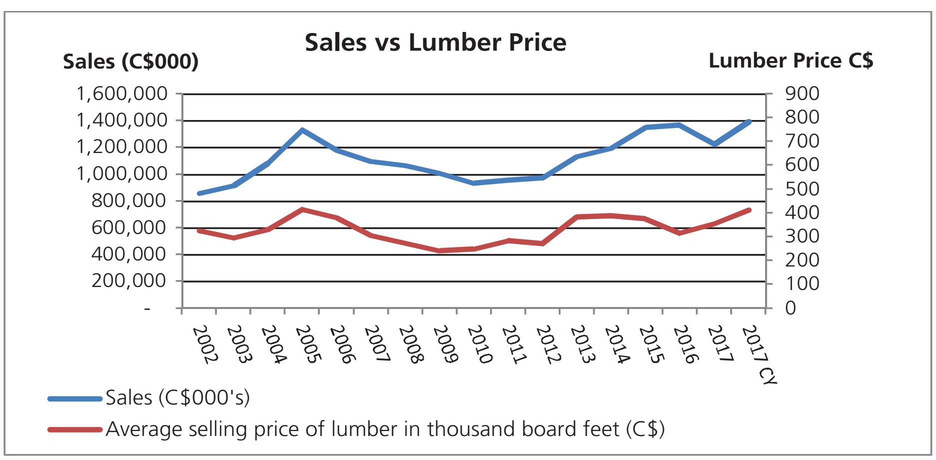
CHAIRMAN AND CEO'S **STATEMENT**

Taiga Building Products Ltd.	For the Financial Year Ended 31 March						
	2017 (Jan-Dec)	2017	2016	2015	2014	2013	2012
	C$'000	C$'000	C$'000	C$'000	C$'000	C$'000	C$'000
Sales	1,392,263	1,223,978	1,364,322	1,348,718	1,194,259	1,132,743	971,625
Gross Margin	123,020	107,267	117,015	114,998	96,810	102,815	95,811
EBITDA	29,164	40,029	45,035	44,057	36,824	42,934	34,555
Pre-tax profit	3,039	13,799	19,008	17,311	9,165	15,231	7,237
Net Profit/(loss)	(3,938)	7,990	11,720	11,080	5,076	10,434	3,724
Total assets	270,829	324,058	305,612	347,383	315,840	346,446	298,649
Gross margin	8.8%	8.8%	8.6%	8.5%	8.1%	9.1%	9.9%
EBITDA margin	2.1%	3.3%	3.3%	3.3%	3.1%	3.8%	3.6%

Understanding Taiga Building Products Ltd better

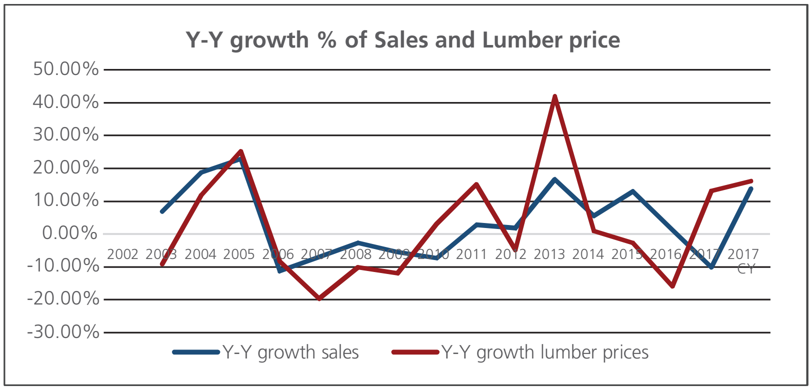
Let me now return to Taiga and provide an analysis of its historical performance. Last year, I wrote extensively on its business and in particular, why I believe its earnings and sales are sustainable. And indeed, I believe it will continue to grow.

CHART 1A



CHAIRMAN AND CEO'S
STATEMENT

CHART 1B



Charts 1A and 1B show the annual sales of Taiga and the average price of lumber, as well as their year on year growth percentage from 2002 to 2017. Lumber is a major product component of Taiga's business, but more importantly, it is reflective of the overall housing market in North America. While Taiga's annual sales achievement is positively correlated to lumber prices or the overall strength of the housing market, it is less volatile, fairly stable and is upward biased (with positive growth over time).

The resilience in Taiga's sales, despite the downturns in the housing market, and the growing revenue from 2012 to 2017 even as the USA housing market and lumber prices remained weak, are due to Taiga's growing market share, the addition of more products into the distribution channels, expanding exports (including to China) and more proactive trading activities.

Critically, Taiga penetrates both the new housing and renovation markets. When housing starts are low, there is a corresponding rise in renovation spending and vice-versa. Hence, its revenue base is sustainable.

CHART 2

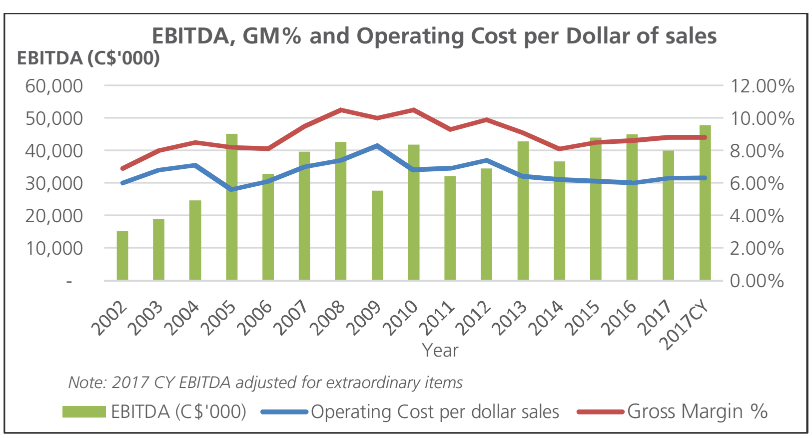


Chart 2 shows the EBITDA, gross margin percentage ("**GM%**") and the operating costs per dollar of sales since 2002. GM% was weak before 2004, as the emphasis was on revenue and the interests of management and shareholders were not aligned. Since then, GM% consistently ranged from 8.5% to 10% even during the period when lumber prices fell sharply.

CHAIRMAN AND CEO'S **STATEMENT**

The size and depth of its distribution in terms of product range, quantity and quality, and strength of its logistics, distributor relationships, cost competitiveness and the low population density over vast geographic areas are all part of the reasons why Taiga manage to achieve a stable GM%. It is this, together with its low operating costs that present a very high barrier of entry to others.

Taiga has also performed smartly in cost management and this is a critical competitive advantage as a wholesale distributor. Indeed, a key part of Taiga's strategy is to remain the lowest cost operator in this business in Canada. This allows the company to keep growing its market share.

One would expect operating cost as a percentage of sales to rise sharply when sales fell, like in 2010 and 2011. However, this was not the case for Taiga. Why? Taiga's cost structure is weighted towards maximising variable costs rather than fixed costs.

CHART 3

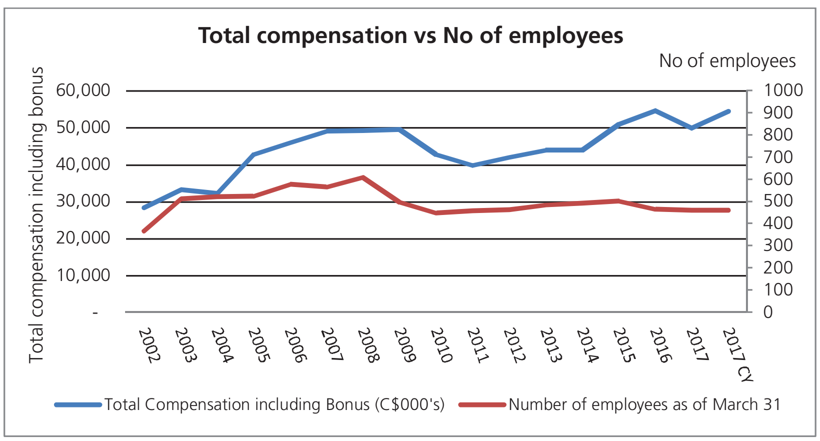


Chart 3 shows the total compensation to employees and number of employees from 2002 to 2017. This cost alone is about half of the total operating costs of Taiga.

Even as sales grew strongly over the years, the number of employees has actually fallen. And a large part of the total compensation is in variable bonuses, which are tied to company's profitability. Total compensation can fall substantially year-on-year. For example, total compensation for employees in 2011 was almost 20% less than in 2009.

The other point to note is that compensation per employee has risen substantially over the years, in line with profitability. I would say that management are extremely well paid, certainly well above the industry. As the saying goes, you get monkeys if you pay peanuts. Taiga has an excellent management team with a strong sense of ownership and a well-planned succession. Employees at Taiga are fully aligned to the interest of shareholders in that they are highly incentivised to make profit and mitigate risks. This mindset is critical for a business that makes money from buying and selling. Giving away inventory gains is the fastest way to make sales and also drive the company to the ground.

Once cost ratios are in check, and GM% are maintained, EBITDA grows with rising sales.

CHAIRMAN AND CEO'S **STATEMENT**

CHART 4

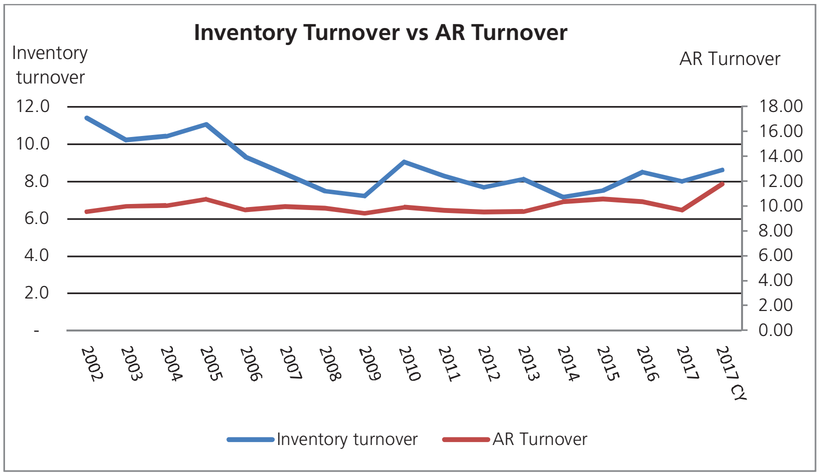


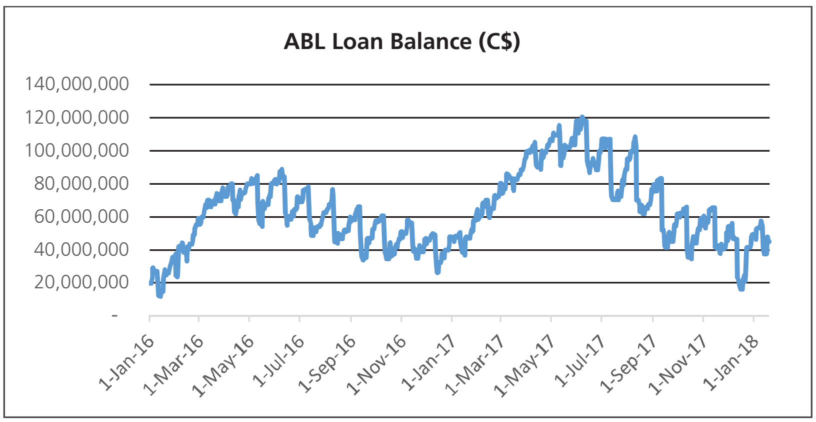
Chart 4 is the turnover ratio for inventory and accounts receivable. They are stable despite the rise in sales over the years, regardless of whether lumber prices were up or down. The point here is that the business risk of Taiga is stable, without deteriorating risks on inventory and payments even as sales are pushed upwards, or in periods when the housing markets slowed.

An aspect of Taiga's balance sheet that has often raised caution is the level of debt coming from its asset-backed loan ("**ABL**"). Analysts are often misguided that Taiga is over-leveraged, especially when Taiga's year-end was 31 March (its financial year has now been changed to 31 December, to be in line with UPP's). It is not. Taiga is a trading company, a wholesale distributor that has huge sales (almost C$1.4 billion) and must use debt to bridge its trade, to maximise Return on Equity ("**ROE**") given that net margins for such businesses are universally small.

Let me prove my point using Chart 5 which shows the fluctuations in the ABL balances. In December and January each year, loan drawdown will be at a low C$20 million or so. It rises to a peak of about C$120 million by the middle of the year and then falls again. Every year is the same, it is a repetitive cycle.

CHAIRMAN AND CEO'S **STATEMENT**

CHART 5



Why? Taiga is the second largest manufacturer of treated wood in Canada. Treated wood is used for outdoor decks and fencing. It is usually bought and installed from spring to early fall. However, the treating plant must operate all year through for efficiency and to meet market demand. Hence, during winter to spring, Taiga buys wood for treating and builds up its inventory. This is financed by drawing down its ABL facility. As these inventories are sold down by fall, the ABL loan is repaid. Part of the ABL facility is also for financing the accounts receivables, which usually peaks in summer. The point I am making is that the ABL facility is strictly for financing inventories and accounts receivables and is not your typical bank loan. It has strict covenants on its usage. Its drawdown and repayment are of a predictable pattern and they extinguish themselves.

With the above articulation on the financials of Taiga this year, together with a fairly extensive description of the business and the business model of Taiga last year, I hope you can now comprehend better the risk and opportunities of Taiga and the merits of our decision in acquiring Taiga.

The year ahead (2018)

Our immediate focus for 2018 will be an attempt to acquire more of Taiga. The reasons are the same as when we first acquired the controlling interests. Simply put, it is value-accretive for UPP.

We are comfortable with the additional debts. We have moved from cash positive in 2016 to a total borrowings of $142.5 million at the UPP level. Our gearing level is 0.48 times, and our interest coverage is 3.3 times. Given that all our three operations generate positive and sustainable cash flows, we remain prudent. Indeed, this leverage will enhance our ROE.

That said, we must always be judicious in our investments, in the manner in which we utilise our cash flows and ensure our balance sheet strength is not compromised.

It is likely that Taiga may pursue certain strategic acquisitions and expansion to further its competitiveness, to grow its business and to further improve its profits.

Likewise, the paper manufacturing management team continues to evaluate opportunities. Demand for liner and packaging materials will grow with e-commerce.

In 2018, we will also continue to look at the assets we own and try to monetise where we can on assets that are not generating sufficient ROE.

Lastly, we are seeking shareholders' approval to introduce a new Employees' Share Option Scheme 2018 ("**ESOS**"). This is unlike any others as it more fully aligns the interests of senior management to shareholders, especially in growing the Company for the long-term.

CHAIRMAN AND CEO'S **STATEMENT**

Basically, 50% to 70% of the annual bonus entitlement of senior management will not be paid in cash but will be used to acquire stock options that will only be exercisable 4 to 7 years later. The exercise price of the options will be the market price of the quoted shares on the date the options are issued. The Board will determine the value of the options by applying the option pricing model, as per SFRS (1) 2 Share-based Payment.

In other words, these options are paid for by the senior management staff in their personal capacity. They are not given free and the exercise price is not at a discount, as is typically the case. It is only exercisable from years 4 to 7, driving management to plan for the longer term, including the critical issue of succession planning.

Why such scheme? Current ESOS is structured to reward management on the upside, but without any downside risks. And it is too short term, encouraging management to take risks and unnecessary leverage.

A further point to note is that our ESOS effectively reduces cash outflows each year. In fact, it is cash flow positive when the ESOS options are exercised in the years ahead.

What is UPP?

We have improved the operations of the paper manufacturing business. We started the power generation business in Myanmar. We improved earnings, generated cash flows and paid decent dividends, and our stock price has gained.

We acquired Taiga and that has further improved our earnings. UPP is now transformed into a substantial company in terms of sales, profits and global operations.

A fair question to ask is what exactly are our goals and objectives? Do we have a clear mission and an action plan? Why did we do what we did? Where are we heading? Do we have a dream?

Our dream is to build UPP to become an effective investment vehicle, finding opportunities where we have the capabilities to build value upon it. We also hope investors of UPP, both large and small, will be able to capitalise on our deliveries with minimum transactional costs and friction, and with total transparency of our actions.

Our strength is our knowledge and experience. We can innovate products and services, improve efficiencies, re-engineer business models and supply chains, transform and adopt technologies. We seek to change mindsets, align management interests with shareholders, and improve earnings and business sustainability.

We propose to change your Company's name from UPP Holdings Limited to Avarga Limited. UPP is identified with the paper manufacturing business alone. It is an abbreviation for United Pulp and Paper.

We believe a new dream deserves a new name. A new identity.

Avarga was the first capital of the Mongol Empire when it was founded by Genghis Khan in 1206. We are inspired not by the fact that the Mongol Empire commands the largest land mass in history but by their ability to overcome each failure with great determination. The Empire facilitated trade, dissemination of technologies and ideologies. Differences in culture and religion were celebrated.

This is a journey we started and we intend to stay on course. We believe it will be meaningful, fun and rewarding and we hope you too will enjoy the ride.

God bless,

TONG KOOI ONG
Chairman of the Board and CEO

"The truest wisdom is a resolute determination."
Napoleon Bonaparte

BOARD OF DIRECTORS

TONG KOOI ONG
Executive Chairman, Chief Executive Officer
Appointed to the Board on 15 March 2012

Mr. Tong is an entrepreneur and an analyst.

He has business interests in media, property development, digital technologies and other businesses in Singapore, Malaysia and Canada.

He is on the board of M+S Pte Ltd, a joint venture between Khazanah Nasional Berhad and Temasek Holdings (Private) Ltd. He is also the Chairman of Taiga Building Products Ltd., a wholesale distributor of building products, listed on the Toronto Stock Exchange and Non-Executive Chairman of 3Cnergy Limited, listed on the Singapore Exchange.

He has interests in the media companies that publish *The Edge Singapore, The Edge Malaysia*. *The Edge Financial Daily*, TheEdgeSingapore.com and TheEdgeMarkets.com.

He also has interests in the property portals EdgeProp.sg and EdgeProp.my.

Mr. Tong holds a Bachelor of Arts in Business Administration and a Master of Arts in Economics and Finance from Simon Fraser University, Canada. In 2002, he was bestowed his Doctor of Laws (Honoris Causa) from the same university.

KOH WAN KAI
Executive Director, Paper Manufacturing
Appointed to the Board on 1 April 2009

Mr. Koh was appointed President of the Company on 1 April 2008. He is currently the Executive Director for Paper Manufacturing. He started his career in an international accounting firm as an auditor and business consultant. He has more than 20 years experience in managerial positions spanning various industries. Prior to joining the Company, he was the Chief Financial Officer of SGX listed Rowsley Ltd.. Mr. Koh holds a Bachelor of Accountancy from the National University of Singapore. He is a Fellow member of the Institute of Singapore Chartered Accountants.

KHOO HSIEN MING, KEVIN
Executive Director, Investments and Power Generation
Appointed to the Board on 1 September 2015

Mr. Khoo joined the Group as President, Investments in 2012. He is responsible for identifying and evaluating new investment opportunities, as well as strategic planning for the Group. He is also the Managing Director of UPP Power (Myanmar) Limited with responsibility for the Group's power plant operations in Myanmar.

Prior to joining the Group, Mr. Khoo was the Group Editor-in-Chief of The Edge Communications Sdn Bhd, Malaysia's leading business and financial media company, which publishes *The Edge Malaysia, The Edge Financial Daily, Options, haven, TheEdgeMarkets.com* and other publications.

Mr. Khoo has extensive management and operations experience in Malaysia, particularly in equities research, media and banking. He started his career in Standard Chartered Bank Malaysia under its management trainee program, and later moved on to equities research in PhileoAllied Securities Sdn. Bhd. and Asia Analytica Sdn. Bhd.

Mr. Khoo holds a Bachelor of Commerce degree from the University of Melbourne.

TONG IAN
Executive Director, Operations and Building Materials Distribution
Appointed to the Board on 7 March 2017

Mr. Tong Ian joined the Group in 2012. He is also a Non-Executive Director of Taiga Building Products Ltd., which became a subsidiary corporation of the Group in 2017, and oversees the Group's interests in that company.

Mr. Tong Ian is a director of The Edge Media Group Pte Ltd that publishes *The Edge Singapore, The Edge Malaysia, The Edge Financial Daily*, TheEdgeSingapore.com and TheEdgeMarkets.com.

He is also a director of The Edge Property Pte Ltd which owns the property portals EdgeProp.sg and EdgeProp.my.

Mr. Tong Ian 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.

BOARD OF DIRECTORS

GARY HO KUAT FOONG

Independent Director

Appointed to the Board on 31 October 2006

Mr. Ho has over 20 years experience in corporate management and finance having been a Director of both publicly listed and private companies in Singapore, Malaysia and Australia.

Mr. Ho also serves on the board of directors of Rowsley Ltd. and Secura Group Limited, both listed companies on the Singapore Exchange and TMC Life Sciences Berhad, listed on the stock exchange in Malaysia.

He holds two Bachelor degrees in Commerce and Science from the University of Western Australia. He is also a member of the Institute of Singapore Chartered Accountants and CPA Australia.

ONG PANG LIANG

Independent Director

Appointed to the Board on 1 August 2010

Mr. Ong joined the Company in 2010 from Rowsley Ltd., where he was the Chief Financial Officer. He relinquished his Finance Director role in the Company on 20 April 2012 and remained as Non-Executive Director. He was re-designated to Independent Director on 1 January 2016.

Mr. Ong also sits on the boards of Rowsley Ltd. and Secura Group Limited, both listed companies on the Singapore Exchange.

He has over 25 years of experience in banking and finance. His career in various international banks covered management responsibilities in currency trading, treasury operations and corporate banking. He was a Managing Director at Bank of America where he spent 15 years, and held positions of Head of Foreign Exchange in Singapore and General Manager of Bank of America Shanghai PRC.

Mr. Ong holds a degree in Business Administration from the National University of Singapore.

NG SHIN EIN

Independent Director

Appointed to the Board on 20 April 2013

Ms. Ng Shin Ein is our Independent Director and was first appointed on 20 April 2013. Her last re-election as our Director was on 29 April 2016. Ms. Ng brings with her a rare blend of legal, business, financial and diplomatic experience.

Ms. Ng Shin Ein was admitted as an advocate and solicitor of the Singapore Supreme Court and practiced as a corporate lawyer in Messrs Lee & Lee. Whilst at Messrs Lee & Lee, she advised clients on joint ventures, mergers and acquisitions and fundraising exercises.

Subsequent to legal practice, Ms. Ng spent a number of years at the Singapore Exchange, where she was responsible for developing Singapore's capital market and bringing foreign companies to list in Singapore. Additionally, she was part of the Singapore Exchange's IPO Approval Committee, where she contributed industry perspectives and also acted as a conduit between the marketplace and regulators.

Ms. Ng is presently the founding partner of Gryphus Capital, a pan-Asian private equity investment firm. She invests actively and leads a network of family offices and other private equity firms to provide strategic capital for companies. For these investments, she engages with portfolio companies, focusing on strategy and business development. She also advises ETPL, the commercialization arm of Singapore's Agency for Science, Technology and Research (A*STAR).

Ms. Ng sits on the boards of other companies listed on the mainboard of the Singapore Exchange, and was appointed the youngest ever director of Fairprice, Singapore's largest supermarket operator.

Apart from corporate boards, Ms. Ng serves on the boards of the Singapore International Foundation and the Middle East Institute, National University of Singapore. She is also Singapore's Non-Resident Ambassador to The Republic of Hungary.

BOARD OF **DIRECTORS**

KALIMULLAH BIN MASHEERUL HASSAN

Independent Director

Appointed to the Board on 20 April 2013

Dato' Seri Kalimullah Hassan, a Malaysian, age 60, is a former journalist and became a businessman in 1995. He has served on various Government agencies, including as Chairman of the National News Agency, Bernama. He has also served on the boards of various public listed companies.

He started his own boutique financial services company and investment bank, ECM Libra Financial Services Group Berhad, with two partners, Chua Ming Huat and Lim Kian Onn and served as its Chief Executive Officer (2002-2004) and (2006-2010). The three partners also set up an education foundation to help under-privileged children. The Foundation has won the Prime Minister's Award for Corporate Social Responsibility twice since its inception in the last six years. Dato' Seri Kalimullah stepped down as CEO of ECM Libra in 2010 and focuses his time in managing the foundation and carrying out charity.

He remains as Non-Executive Chairman of ECM Libra Financial Group Berhad, Chairman of the ECM Libra Foundation, and is a director of the University Malaysia Specialist Hospital and also a member of the Board of Governors of his alma mater, the Methodist Boys School (Penang). He is a founding shareholder in long-haul budget airline AirAsia X and a director and substantial shareholder in the international budget hotel group, Tune Hotels.

GARSON DAVID LEE

Independent Director

Appointed to the Board on 7 March 2017

Mr. Lee is a Chartered Accountant with over 45 years of business and professional public practice experience in Canada.

Upon graduating from the University of British Columbia, he joined Price Waterhouse & Company ("**PwC**") where he successfully completed his articles and obtained his Chartered Accountant degree.

Mr. Lee left PwC to join Macmillan Bloedel Limited, which was Canada's largest forest products company. He managed the company's Internal Audit Division and after 10 years, left to enter the public accounting field. He has 35 years of public practice experience as a Partner and retired in 2015. His firm was ranked among the top 30 Chartered Accounting firms in Canada. His clients included Taiga Building Products Ltd., one of the largest independent wholesale distributor of building products in Canada.

He is the Managing Director of several private corporations which provide management, consulting and other professional services. He was also appointed a Director of Vancouver Bullion & Currency Exchange Limited ("**VBCE**") in February 2018.

Mr. Lee holds a Bachelor of Commerce degree from the University of British Columbia. He also holds a Chartered Professional Accountant (CPA) and a Chartered Accountant (CA) degree. He is a member of the Chartered Professional Accountants of British Columbia and the Chartered Professional Accountants of Alberta.

TAIGA BUILDING PRODUCTS LTD.
DIRECTORS

TONG KOOI ONG
Chairman and Director
Appointed to the Board on 20 May 2005

Information on Mr. Tong Kooi Ong is found in the Board of Directors section of this Report.

TONG IAN
Director
Appointed to the Board on 20 July 2012

Information on Mr. Tong Ian is found in the Board of Directors section of this Report.

PETER BUECKING
Director
Appointed to the Board on 7 November 2006

From 2003 until 2006, Mr. Buecking was Group President of Societe Internationale de Telecommunications Aeronautics ("**SITA**") headquartered in Geneva, Switzerland. At SITA, Mr. Buecking was responsible for overall group results and strategy. He was also the chairman of the Executive Committee. Prior to joining SITA, he was Managing Partner of Oneworld Management Company ("**Oneworld**"). Oneworld is a global alliance of leading airline brands. During an 18 years career with Cathay Pacific Airways from 1982 to 2000, Mr. Buecking held several senior management positions including Vice President Canada, Vice President USA and Latin America, General Manager and Director, Asian Frequent Flyer (Singapore) Pty Ltd, General Manager In-flight Services and Director, Marketing and Sales.

DOUGLAS J. MORRIS
Director
Appointed to the Board on 16 July 2009

Mr. Morris joined Taiga in 1978 and since then has established Taiga's distribution presence in Eastern Canada. He initiated Taiga's 1996 acquisition of distribution centres in Ontario and Quebec, and established the Oakville commodity trading division and Dynamic Forest Products. He was also involved in taking Taiga public. Prior to joining Taiga, Mr. Morris managed MacMillan Bloedel Ltd.'s building materials distribution centre in Toronto, Ontario. Mr. Morris holds a Bachelor of Science and Economics from Clarkson University in Potsdam, New York. Mr. Morris held the position of Executive Vice President of Major Accounts and Supply Management of Taiga from 1 March 2007 to March 2009. He was appointed to Taiga's Board on 16 July 2009. Mr. Morris also provided consulting services to Taiga until 31 March 2015.

BRIAN FLAGEL
Director
Appointed to the Board on 17 November 2010

Mr. Flagel is President of Custom Consulting. Mr. Flagel retired from public service in Canada as Executive Director, Canada Border Services Agency ("**CBSA**"). He held several executive positions in CBSA where he was responsible for operational service delivery, international trade movements, strategic planning, professional standards and facility planning. He was Director, Canada Border Services, Vancouver International Airport for several years, and was Director, Global Trade Services, FedEx, Europe, Middle East and Africa Division from 1995 to 1998. Mr. Flagel received a Bachelor of Arts from the University of Manitoba.

TAIGA BUILDING PRODUCTS LTD.
DIRECTORS

OTTO-HANS NOWAK
Director
Appointed to the Board on 8 August 2013

Mr. Nowak is the President and the sole director of Peak (88) Consulting Limited and is a business consultant. Mr. Nowak was previously a tax partner at Borden Ladner Gervais LLP ("**BLG**") one of Canada's largest national law firms, until his retirement. Subsequently, he has continued to provide consulting services to BLG. Mr. Nowak was a captain and F-104 Starfighter Pilot in the West German Air Force before migrating to Canada in 1971. He attended the University of British Columbia and received the degrees of Bachelor of Commerce and Bachelor of Laws. After his articles with Ladner Downs, a predecessor law firm to BLG, he initially worked as an associate with Ladner Downs and became a partner in 1983. In 1989, he was asked to open and manage a law office in Hong Kong. He returned to Ladner Downs as partner in 1993. Mr. Nowak has a wealth management and wealth transfer planning practice with special emphasis on holistic global estate planning, but he also practices in the areas of domestic tax planning, international tax planning and international wealth transfer, estate and asset preservation planning. Mr. Nowak has now relocated to Hong Kong and continues to advise high net worth clients.

CAM WHITE
Director
Appointed to the Board on 20 July 2012

Mr. White retired from his role as the President and Chief Executive Officer of Taiga on 31 March 2015. He began his career at Taiga in 1973. Mr. White held various positions with Taiga over the years, including Prairie Manager, Vice President of Western Operations, Executive Vice President, Sales and Operations and Chief Operating Officer. Mr. White was appointed President and CEO of Taiga effective 1 April 2010. He was appointed to the Taiga Board on 20 July 2012. Mr. White also provides consulting services to Taiga.

KEY MANAGEMENT PERSONNEL

EDWARD LEE ENG CHEW

Executive Vice President (Corporate and Legal Service)
UPP Capital (M) Sdn. Bhd.

Mr. Lee is responsible for the corporate and legal affairs of the Group. Prior to joining UPP Capital, Mr. Lee was the Head of the Legal Department of Sunrise Berhad, a Malaysian property developer listed on Bursa Malaysia. Mr. Lee has extensive legal expertise in property, media, and financial services sectors. He holds a Bachelor of Economics (Accounting) and Bachelor of Laws from Monash University, Melbourne.

TAI LAI YEEN

Group Finance Manager
UPP Holdings Limited

Ms. Tai is responsible for accounting, finance, taxation as well as internal control functions of the Group. Prior to joining the Group in December 2010, Ms. Tai was an Assurance Manager of an international firm of certified public accountants and she has extensive experience in the accounting and auditing profession. Ms. Tai holds a degree in Accountancy from the University of Putra Malaysia. She is a chartered accountant with the Institute of Singapore Chartered Accountants and member of The Institute of Internal Auditors Singapore.

TRENT BALOG

President and Chief Executive Officer
Taiga Building Products Ltd.

Mr. Balog began his career working for Weldwood of Canada Limited in Edmonton, starting in the warehouse and ending up with a distribution sales position working out of Saskatoon and covering North Eastern Saskatchewan. He then moved to Calgary, taking a sales supervisor job with McMillan Bloedel. He was promoted to National Accounts Manager for M&B before moving to Taiga in 1994.

At Taiga, Mr. Balog has worked in a number of different roles including pressure treated wood sales manager, Vice President – Western Canadian Operations and prior to his current role, Chief Operating Officer.

RUSSELL PERMANN

Chief Operating Officer and Executive VP
Taiga Building Products Ltd.

Mr. Permann spent 8 years at Jager Building Systems Inc. When he left Jager, he was their VP of Sales for North America. He Joined Taiga in 2008 as General Manager, Engineered Wood Products and gradually took on greater responsibilities including overseeing our business in the Prairies, and the USA and managing the Envirofor plants. Prior to his most recent appointment he was VP of Operations.

Mr. Permann has a Bachelor of Arts in Political Science and an MBA from Queens University.

KEY MANAGEMENT **PERSONNEL**

GRANT SALI
Chief Procurement Officer and Executive VP
Taiga Building Products Ltd.

Mr. Sali's first job in the industry was with Weldwood of Canada Limited, where he started in the warehouse and furthered his career as a salesman in their distribution and mill divisions. In 1982 he accepted a position as the sales manager at Trendwood Limited in Edmonton. He came back to British Columbia in 1988 to work for Crestbrook Forest Industries Ltd as a sales manager out of their Cranbrook office.

He was hired by Taiga in 1990 to establish the distribution centre in Kelowna. In 2001 he was promoted to Langley's branch manager and became a VP in 2007 with responsibility for Allied Products, Envirofor and the USA. Prior to his most recent appointment he was EVP Supply Management.

MARK SCHNEIDEREIT-HSU
Chief Financial Officer, VP-Finance and Administration and Corporate Secretary
Taiga Building Products Ltd.

Mr. Schneidereit-Hsu joined Taiga in 2005 as a Financial and Risk Analyst. In 2007 he was promoted to Manager, Corporate Planning, responsible for treasury, strategic planning, real estate, insurance and human resource. Mr. Schneidereit-Hsu was appointed as the Chief Financial Officer of Taiga effective 1 June 2013. Prior to joining Taiga, Mr. Schneidereit-Hsu worked in international development in the Middle East and managed a care home with Communitas Supportive Care Society.

He holds a Bachelor of Arts in International Relations from the University of British Columbia and an MBA from McGill University. He is also a Chartered Professional Accountant (CPA, CMA).

REPORT ON
CORPORATE GOVERNANCE

UPP Holdings Limited ("**UPP**" or the "**Company**") is committed to high standards of corporate governance within the UPP group of companies (the "**Group**") and adopts the corporate governance practices contained in the Code of Corporate Governance 2012 (the "**Code**"). In areas where the Group's practice deviates from the Code, the rationale for these deviations are provided. We believe that good corporate governance establishes and maintains an ethical environment within the Group, which serves the interests of all shareholders.

BOARD MATTERS

Principle 1: Board's Conduct of Its Affairs

The Company is headed by the Board of Directors (the "**Board**") which is responsible for the overall management of the Company. The Board works closely with the management of the Company (the "**Management**") and the Management remains accountable to the Board.

The Board's role includes:

(1) providing entrepreneurial leadership, setting strategic objectives, and seeking to ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
(2) overseeing the establishing of a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Group's assets;
(3) reviewing management performance;
(4) identifying the key stakeholder groups and recognising that their perceptions affect the Company's reputation;
(5) setting the Company's values and standards (including ethical standards) and ensuring that obligations to shareholders and other stakeholders are understood and met; and
(6) considering sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

The Directors discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

The Company has formulated guidelines setting forth matters reserved for the Board's decision. The matters reserved for the Board's decision are as follows:

(a) material acquisitions and disposals of assets/investments;
(b) corporate or financial restructuring;
(c) financial/funding arrangements;
(d) material capital expenditures;
(e) share issuances;
(f) dividend payments to shareholders; and
(g) other transactions of a material nature requiring announcement under the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

REPORT ON
CORPORATE GOVERNANCE

Management was also given clear directions on matters (including setting thresholds for certain operational matters relating to subsidiaries) that require the Board's approval.

In accordance with the Code, the Board has, without abdicating its responsibility, established three (3) board committees (the "**Board Committees**") namely, the Audit and Risk Management Committee ("**ARMC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**"), each of which has been delegated with specific authority. Each Board Committee is chaired by an Independent Director and has its own terms of reference to address their respective areas of focus.

During the financial year ended 31 December 2017 ("**FY2017**"), the Board conducted regular scheduled meetings on a quarterly basis to coincide with the announcement of the Group's quarterly and full year financial results and to keep abreast of significant business activities and overall business environment.

Apart from board meetings, important or urgent matters concerning the Group are also presented for the Board's decision by way of written resolutions, fax, electronic mail and telephone conferencing. The Company's Constitution (the "**Constitution**") provides for meetings to be held via telephone, radio, conference television or similar communication equipment or any other form of audio or audio-visual communication by which all persons participating in the meeting are able to hear and be heard by all other participants, for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Details of the number of Board meetings held in the year and attendance of each Board member at those meetings and meetings of the various Board Committees are provided on page 39 of this Annual Report.

Upon the appointment of any new Director, the Company will provide a formal letter to the Director, setting out the Director's duties and obligations. The Company will conduct briefings to ensure that any incoming and/or new Directors become familiar with the Group's business and governance practices.

The Company has adopted a policy which welcomes Directors to request for further explanations, briefings or informal discussions on any aspect of the Company's operations or businesses from the Management. The Directors also sit on the boards of other listed companies, and are therefore not only well aware of their duties and responsibilities, but how to discharge such duties. All Board members are also encouraged to attend regular training, at the Group's expense, particularly on relevant new laws, regulations and changing commercial risks from time to time. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with regulatory changes, where these changes have an important bearing on UPP's or the Directors' disclosure obligations, Directors are briefed either during Board meetings or at specially-convened sessions conducted by professionals. In particular, Directors are encouraged to attend relevant courses conducted by the Singapore Institute of Directors ("**SID**"), SGX-ST and consultants. During FY2017, Mr. Tong Ian attended a course on understanding the regulatory environment in Singapore for listed company directors conducted by the SID.

REPORT ON
CORPORATE GOVERNANCE

Principle 2: Board Composition and Guidance

UPP is headed by an effective Board to lead, control and direct UPP and the Board has a pivotal role in charting the strategic course and direction of the Group. As at 31 December 2017, the Board comprised nine (9) Directors, namely, Mr. Tong Kooi Ong, Mr. Koh Wan Kai, Mr. Khoo Hsien Ming Kevin, Mr. Gary Ho Kuat Foong, Ms. Ng Shin Ein, Dato' Seri Kalimullah Bin Masheerul Hassan, Mr. Ong Pang Liang, Mr. Tong Ian and Mr. Garson David Lee. It is chaired by Mr. Tong Kooi Ong who is also the Chief Executive Officer ("**CEO**") of the Group. He is responsible for the leadership and objective functioning of the Board.

As at 31 December 2017, the Board comprised the following members:

Mr. Tong Kooi Ong	Executive Chairman and Chief Executive Officer
Mr. Koh Wan Kai	Executive Director, Paper Manufacturing
Mr. Khoo Hsien Ming Kevin	Executive Director, Investments and Power Generation
Mr. Tong Ian	Executive Director, Operations & Building Materials Distribution
Mr. Gary Ho Kuat Foong	Lead Independent Director
Ms. Ng Shin Ein	Independent Director
Dato' Seri Kalimullah Bin Masheerul Hassan	Independent Director
Mr. Ong Pang Liang	Independent Director
Mr. Garson David Lee	Independent Director

The Chairman of the Board and the CEO is the same person. The Independent Directors make up more than half (1/2) of the Board. Mr. Gary Ho Kuat Foong is the Lead Independent Director. All Directors are required to disclose to the Board in a timely manner any relationships or appointment which would impair their independence.

The Board (taking into account the views of the NC) reviews whether the individual Independent Directors are independent in character and judgment with reference to the guidelines set out by the Code. In accordance with the guidelines set out by the Code, the Board also considers whether any of the Independent Directors have any relationships or circumstances which could interfere, or be reasonably perceived to interfere, with the exercise of the respective Director's independent business judgment with a view to the best interests of the Company.

The Board noted that the Independent Directors had none of the relationships set out in Guideline 2.3 of the Code, and that there were no relationships or circumstances relevant to the Board's determination of the independence of the Independent Directors in accordance with the guidelines of the Code.

Notwithstanding the above, the Board noted that before joining the Company as an Independent Director on 7 March 2017, Mr. Garson David Lee had been a partner of the firm that was the external auditor of Taiga Building Products Ltd. ("**Taiga**"), which is now a subsidiary of the Company, but Mr. Lee had retired from that firm in 2015. Also, earlier, Mr. Lee had been the client contact partner for Taiga but had ceased to be so for several years prior to his retirement, and for several years up to 2008, Mr. Lee was involved in the audit of Taiga. In particular, under Guideline 2.3(d)(i) of the Code, the relationships or circumstances which may appear relevant to the Board's determination would include a director who, in the current or immediate past financial year, is or was, a partner in any organization from which the company or any of its subsidiaries received material services including auditing services. The Board noted that Mr. Lee had ceased to be a partner of the firm that was the external auditor of Taiga in 2015, which is before the current or immediate past financial year.

REPORT ON CORPORATE GOVERNANCE

Mr. Gary Ho Kuat Foong has served on the Board for more than nine (9) years from the date of his first appointment. The Board has rigorously reviewed Mr. Ho's independence and, after taking into consideration the views of the NC, considers Mr. Ho to be independent in accordance with the guidelines of the Code. The Board also took into consideration that Mr. Ho has, throughout his appointment, continued to demonstrate strong independence in character and judgement in the discharge of his responsibilities as a Director.

Taking into account the views of the NC, the Board has determined that the Independent Directors are independent.

The Board is of the view that the current Board size facilitates effective decision-making and is appropriate, taking into consideration the nature and scope of the Group's operation, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees.

The Board comprises Directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the Group. They also provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge. A brief description of the background of each Director is presented in the "**Board of Directors**" section of this Annual Report.

The role of the Non-Executive Directors (including the Independent Directors) includes constructively challenging and helping develop proposals on strategy, and helping to review the performance of Management in meeting the agreed goals and objectives and monitoring the reporting of performance.

Non-Executive Directors are encouraged to meet regularly without the presence of Management. The Non-Executive Directors have such meetings at least once a year.

Principle 3: Chairman and Chief Executive Officer

Mr. Tong Kooi Ong, the Chairman of the Board, is also the CEO. For FY2017, the role of the Chairman is not separate from that of the CEO as the Board believes that there is an appropriate balance of power, adequate accountability and capacity of the Board for independent decision making as reflected in the internal controls established with the Group.

As the Chairman of the Board, Mr. Tong's role includes:

(a) leading the Board to ensure its effectiveness on all aspects of its role;
(b) setting the agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
(c) promoting a culture of openness and debate at the Board;
(d) ensuring that the directors receive complete, adequate and timely information;
(e) encouraging constructive relations within the Board and between the Board and Management;
(f) facilitating the effective contribution of Non-Executive Directors in particular; and
(g) promoting high standards of corporate governance.

REPORT ON **CORPORATE GOVERNANCE**

As the Chairman of the Board, Mr. Tong also oversees the workings of the Board, ensuring that the Board is able to perform its duties and that there is a flow of information between the Board and the Management.

As the CEO, Mr. Tong is assisted by the Management in the daily operations and administration of the Group's business activities and in the effective implementation of the Group's strategies. Mr. Tong also reviews most of the board papers before they are presented to the Board.

The Management staff who have prepared the papers, or who may provide additional insights, are invited to present the papers or attend the Board meetings.

Mr. Gary Ho Kuat Foong is the Lead Independent Director. The Lead Independent Director's role is to be available to shareholders when they have concerns, and for which contact through normal channels of the Chairman or the CEO has failed to resolve or is inappropriate. All the Independent Directors including the Lead Independent Director, meet at least annually without the presence of the other Executive and Non-Independent Directors.

As all members of the ARMC, NC and RC are Independent Directors, the Board believes that there are sufficient and independent elements and adequate safeguards without undue influence, from the Chairman and the CEO, to allow for effective Board oversight.

Principle 4: Board Membership

As at 31 December 2017, the NC comprised four (4) Directors, all of whom, including the Chairman, are Independent and Non-Executive Directors. Mr. Gary Ho Kuat Foong, the Lead Independent Director, is a member of the NC.

As at 31 December 2017, the NC members were as follows:

Dato' Seri Kalimullah Bin Masheerul Hassan	(Chairman)
Mr. Gary Ho Kuat Foong	(Member)
Mr. Ong Pang Liang	(Member)
Ms. Ng Shin Ein	(Member)

The NC has written terms of reference endorsed by the Board that sets out its duties and responsibilities. The NC's key responsibilities are as follows:–

(a) developing and maintaining a formal and transparent process for the appointment and re-appointment of Directors to the Board and all things incidental, including:
    (i) making recommendations to the Board on all appointments to the Board;
    (ii) re-nominating Directors at regular intervals; and
    (iii) determining annually, and as and when circumstances require, whether or not a Director is independent;
(b) assessing the effectiveness of the Board as a whole and its Board Committees, and the contribution by the Chairman and each Director to the effectiveness of the Board;
(c) deciding how the performance of the Board may be evaluated and to propose objective performance criteria;
(d) reviewing of the development and succession plans for senior management; and
(e) reporting to the Board its findings from time to time on matters arising and requiring the attention of the NC.

REPORT ON CORPORATE GOVERNANCE

Potential new Board members may be recommended from time to time via contacts. When considering a new Board member, the NC reviews the curriculum vitae of the potential candidate and considers his/her experience and likely contribution to the Board and whether the candidate has sufficient time available to commit to his/her responsibilities as Director. Where practicable, meetings with the potential candidate will be conducted before the NC makes its recommendation to the Board. The Board then makes the final determination for the appointment.

Important issues to be considered as part of the process for the selection, appointment and re-appointment of Directors include composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an Independent Director.

New Directors are at present appointed by way of a Board resolution after the NC approves their appointment. Existing Directors who retire by rotation are at present re-appointed by way of a shareholders' resolution after the NC approves their re-appointment. All Directors, save for the Managing Director, are required to submit themselves for re-nomination and re-appointment at regular intervals and at least once every three (3) years. The Company's Constitution also states that the Managing Director while holding that office, shall not be subject to retirement. This means that save for the Managing Director (who may be appointed for a fixed term of up to five (5) years), no Director stays in office for more than three (3) years without being re-elected by shareholders.

The NC has also reviewed the independence of the Directors with reference to the guidelines set out in the Code, and has determined Mr. Gary Ho Kuat Foong, Ms. Ng Shin Ein, Dato' Seri Kalimullah Bin Masheerul Hassan, Mr. Ong Pang Liang and Mr. Garson David Lee to be independent. All Directors are required to disclose to the NC whether they have any relationships with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company. Consideration and assessment of the independence of each Independent Director is carried out during a meeting of the NC, whereby the Directors are given an opportunity to raise any feedback during the meeting or to the Chairman of the NC.

The NC has also determined that the Directors have been adequately carrying out their duties as Directors, notwithstanding the number of listed company board representations and other principal commitments of each Director. The NC took into consideration various factors, such as the respective Director's record of attendance at the Company's Board and Board Committee meetings. It was noted that for FY2017, the Directors attended all of the Board and Board Committee meetings applicable to them.

The Board believes that each Director has to personally determine the demands of his or her competing directorships and obligations and assess how much time is available to serve on the Board effectively, and this determination would be based on various factors and not only the number of listed company board representations that the Director has. Further, the NC from time to time assesses the independence of each Director, the performance of the Board as a whole, and the contribution of each Director to the effectiveness of the Board. For FY2017, the NC was satisfied that the Directors who have multiple board representations have devoted sufficient time and attention to the affairs of the Group to discharge their duties as Directors of the Company. Each Director has control over their time, and there was a high rate of attendance at Board and Board Committee meetings. Accordingly, the NC and the Board have not set a maximum number of board representations a Director may hold, and have not prescribed or adopted guidelines to address competing time commitments of Directors on multiple boards.

REPORT ON
CORPORATE GOVERNANCE

No alternate directors have been appointed by the Board.

Each meeting of the NC was properly minuted and upon confirmation of such minutes by the Chairman, a copy of the confirmed minutes was duly circulated to all members and the Board.

The information on each Director's academic and professional qualifications, shareholdings, relationships (if any), directorship and other principal commitments is presented in the "**Board of Directors**" and "**Directors' Statement**" section of this Annual Report.

Principle 5: Board Performance

The NC is responsible for, *inter alia*, assessing the effectiveness of the Board as a whole and its Board Committees, and the contribution by the Chairman and each Director to the effectiveness of the Board. The NC has established processes for evaluating the effectiveness of the Board as a whole and the Board Committees, and the contribution by each individual Director to the effectiveness of the Board.

Each Board member is required to complete a Board appraisal assessment form (the "**Assessment Form**") on a yearly basis. Each member of the NC, ARMC and RC is further required to complete additional sections in the Assessment Form for the appraisal and assessment of each respective committee. On the basis of returns submitted, a consolidated report will be presented to the NC for consideration and adoption.

In evaluating the performance of the Board and the Board Committees, the NC considers a set of objective performance criteria. Such objective performance criteria for the board evaluation are in respect of various aspects including board size and composition, board processes, board information and accountability and board performance in relation to discharging its principal functions and responsibilities for financial targets.

The assessment of individual Directors is carried out by way of a feedback system whereby the Directors are given the opportunity to raise feedback during a meeting of the NC or to the Chairman of the NC.

Principle 6: Access to Information

The Management provides the Board members with complete, adequate and timely information prior to Board meetings and on an ongoing basis. Board members also have separate and independent access to the Management to enable them to make informed decisions to discharge their duties and responsibilities. Detailed Board papers are prepared for each meeting of the Board and are normally circulated in advance of each meeting. The Board papers include sufficient information from the Management on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at Board meetings. In respect of budgets, where there is a material variance between the projections and actual results, the Management will disclose and explain this to the Board.

Directors are also entitled to request from Management and are provided with such additional information by the Management as needed to make informed decisions.

REPORT ON CORPORATE GOVERNANCE

The Company Secretary attends all Board meetings and is responsible to ensure that established procedures and all relevant statutes and regulations which are applicable to the Company are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole to decide. All Directors have separate, direct and independent access to the advice and services of the Company Secretary.

The Board also has in place procedures for Directors to obtain independent professional advice on matters affecting the Group, if necessary, at the Company's expense.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

As at 31 December 2017, the RC comprised four (4) Directors, all of whom, including the Chairman, are Independent Directors. All the members of the RC are Independent and Non-Executive Directors. As at 31 December 2017, the RC members were as follows:

Ms. Ng Shin Ein	(Chairman)
Dato' Seri Kalimullah Bin Masheerul Hassan	(Member)
Mr. Ong Pang Liang	(Member)
Mr. Garson David Lee	(Member)

The RC has its terms of reference defining its role which include the following:

(a) ensuring a formal and transparent procedure for developing policy on key management personnel remuneration and fixing the remuneration packages of individual Directors;

(b) reviewing and recommending to the Board a general framework of remuneration for the Board and key management personnel, and also reviewing and recommending to the Board the specific remuneration packages for each Director as well as for the key management personnel;

(c) reviewing the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous;

(d) considering whether Directors and key management personnel should be eligible for benefits under long-term incentive schemes, including share schemes;

(e) considering the use of contractual provisions to allow the Company to reclaim incentive components of remunerations from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company;

(f) preparing a remuneration report annually providing clear disclosure of the Company's remuneration policy (including the link between remuneration paid to directors and key management personnel, and performance), level and mix of remuneration, and the procedure for setting remuneration, for recommendation to the Board;

(g) reporting to the Board its findings from time to time on matters arising and requiring the attention of the RC; and

(h) undertaking such other reviews, projects, functions, duties and responsibilities as may be requested by the Board.

REPORT ON CORPORATE GOVERNANCE

If necessary, the RC will seek expert advice from external remuneration consultants in determining the Group's remuneration policy above. The remuneration policy recommended by the RC is submitted for approval by the Board.

The RC reviews the reasonableness of the termination clauses of the contracts of service of Executive Directors and key management personnel. Where necessary, the RC obtains advice from external remuneration consultants for the Group's benchmarking of such contracts.

No remuneration consultants have been appointed for FY2017.

Having reviewed and considered the remuneration of the Executive Directors and the key management personnel, including the variable and discretionary component, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of their remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss.

In addition, the Executive Directors owe fiduciary duties to the Company. The Company should be able to avail itself of remedies against the Executive Directors in the event of such breach of fiduciary duties.

Principle 8: Level and Mix of Remuneration

In setting remuneration packages, the aim of the RC is to ensure that the level and structure of remuneration is aligned with the long-term interest and risk policies of the Company, and is appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the Company. The RC takes into account the performance of the Group, as well as individual Directors and key management personnel, aligning their interests with those of shareholders to maximise long-term shareholder value. Directors are paid Director's fees, determined by the Board based on the effort, time spent and responsibilities of the Directors. The RC aims to ensure that there is a formal and transparent procedure for developing a policy on executive remuneration and fixing the remuneration packages of individual Directors. The RC also aims to ensure that Non-Executive Directors are not overcompensated to the extent that their independence may be compromised. Directors' fees for Directors are subject to the approval of shareholders at the Annual General Meeting ("**AGM**").

The RC has implemented a variable bonus system for the Executive Directors and key management personnel, which takes into account broad key performance indicators relating to the Group, such as the profit, return on equity, and risks faced by the Group.

The Company currently has an employee share option scheme known as the UPP Employee Share Option Scheme, which is intended to be a long-term incentive scheme.

REPORT ON
CORPORATE GOVERNANCE

Principle 9: Disclosure on Remuneration

The remuneration of Directors and key management personnel (who are not Directors or the CEO) of the Group for FY2017 is set out below:

(a) Directors	Fees (S$)	Salary (S$)	Bonus (S$)	Benefits (S$)	Total (S$)
Mr. Tong Kooi Ong	–	500,000	250,000	31,521	781,521
Mr. Koh Wan Kai	–	247,200	150,800	6,167	404,167
Mr. Khoo Hsien Ming Kevin	–	189,196	62,370	–	251,566
Mr. Tong Ian	–	134,130	41,340	900	176,370
Mr. Gary Ho Kuat Foong	70,000	–	–	–	70,000
Ms. Ng Shin Ein	69,467	–	–	–	69,467
Dato' Seri Kalimullah Bin Masheerul Hassan	68,934	–	–	–	68,934
Mr. Ong Pang Liang	67,000	–	–	–	67,000
Mr. Garson David Lee	52,623	–	–	–	52,623

(b) Key Management Personnel of the Group	Salary (%)	Bonus (%)	Benefits (%)	Total (%)
Remuneration in the band below S$250,000				
Mr. Edward Lee Eng Chew	80	20	–	100
Ms. Tai Lai Yeen	61	39	–	100
Remuneration in the band above S$250,000 to S$500,000				
Mr. Mark Schneidreit-Hsu	34	66	–	100
Remuneration in the band above S$750,000 to S$1,000,000				
Mr. Russ Permann	21	79	–	100
Remuneration in the band above S$1,000,000 to S$1,250,000				
Mr. Grant Sali	19	81	–	100
Remuneration in the band above S$1,250,000 to S$1,500,000				
Mr. Trent Balog	17	83	–	100

The RC has considered the disclosure of the remuneration of the key management personnel and have decided to disclose these in bands of S$250,000 given the competitive environment the Group operates in and that the disclosure of the exact remuneration may facilitate the solicitation of the key management personnel.

Total remuneration paid to the key management personnel (who are not Directors or the CEO) for FY2017 was approximately S$4,081,000.

REPORT ON
CORPORATE GOVERNANCE

The RC met once during the year to decide on Directors' fees, review the remuneration packages of the Executive Directors, assess the performance of senior management and determine their compensation packages (including bonus awards) for FY2017. The RC's recommendations covered all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind.

The remuneration of employees who are immediate family members of a Director or the CEO, and whose remuneration exceeded S$50,000 during FY2017 is set out below:

Remuneration in the band above S$150,000 to S$200,000

Name	Designation	Relationship
Tong Ian	Executive Director, Operations & Building Materials Distribution	Son of Mr. Tong Kooi Ong (Executive Chairman, Chief Executive Officer)

The Group's remuneration framework comprises fixed pay and short-term and long-term incentives and is aimed to be aligned with the long-term interest and risk policies of the Group. The Group subscribes to linking remuneration to the performance of the Group, as well as individual Directors and key management personnel, based on an annual appraisal of employees and using indicators such as competencies, key result areas, performance rating, and potential of the employees. Long-term incentive schemes are put in place to motivate and reward employees and align their interests with those of shareholders to maximise long-term shareholder value. Industry practices and norms are also taken into consideration. The RC has implemented a variable bonus system for the Executive Directors and key management personnel, which takes into account broad key performance indicators relating to the Group, such as the profit, return on equity, and risks faced by the Group. These performance conditions reflect the core values of the Group. For FY2017, the Board is of the view that the performance conditions were generally met.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board undertakes the responsibility of, *inter alia*, (a) approving annual budget and business plan, (b) setting overall strategies and supervision of the Group's business and affairs, and (c) reviewing the financial performance of the Group.

Management reports the operational and financial performance of the Group to the Board by keeping the Board informed and updated with the provision of financial and management reports, on a quarterly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Group's prospects.

Aside from adopting corporate governance practices in line with the spirit of the Code, the Company also observes obligations of continuing disclosure under the Listing Manual. The Company undertakes to circulate timely, adequate and non-selective disclosure of information. The Board also issues quarterly financial statements as reviewed by the ARMC to provide shareholders with comprehensive information and a balanced view on the Group's performance, position and prospects.

REPORT ON CORPORATE GOVERNANCE

Principle 11: Risk Management and Internal Controls

The Board determines the Group's levels of risk tolerance and risk policies, and oversees Management in the design, implementation and monitoring of the risk management and internal control systems.

The Board also reviews the adequacy and effectiveness of the Group's risk management and internal control systems, including financial, operational, compliance and information technology controls annually. Such review is carried out internally.

For the financial year under review, the Board is of the view that the Group's internal controls (including financial, operational, compliance and information technology controls, and risk management systems) maintained by the Management that were in place throughout the financial year and up to the date of this Annual Report were adequate and effective, and provide reasonable, but not absolute, assurance against material financial misstatements or losses, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practices, and the identification and containment of business risk.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by Management, the Board and the ARMC are of the opinion that the Group's internal controls including financial, operational, compliance and information technology controls, and risk management systems, were adequate and effective as at 31 December 2017.

The Board, together with the ARMC and the Management, will continue to enhance and improve the existing internal control framework to identify and address critical and significant risks relating to financial, operational, compliance and information technology. The system of internal controls established by the Group provides reasonable, but not absolute, assurance that the Group's assets and investments are safeguarded. The likelihood of achieving the internal control objectives is affected by limitations inherent in all internal control and risk management systems. The Board notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgments in decision-making, human errors, losses, fraud or other irregularities.

The Board has received assurance from the CEO and the Chief Operating Officer: (a) that the financial records have been properly maintained, (b) that the financial statements give a true and fair view of the Group's operations and affairs; and (c) regarding the effectiveness of the Group's risk management and internal control systems.

The ARMC has been tasked to assist the Board in carrying out its responsibility of overseeing the Group's risk management framework and policies adequately.

Principle 12: Audit and Risk Management Committee

As at 31 December 2017, the ARMC comprised five (5) Directors, all of whom including the Chairman, are Independent Directors. All the members of the ARMC are Non-Executive and Independent Directors. The Chairman and two (2) of its members have recent and relevant accounting or related financial management expertise and two (2) of them are Chartered Accountant (CA).

REPORT ON
CORPORATE GOVERNANCE

As at 31 December 2017, the ARMC members were as follows:

Mr. Gary Ho Kuat Foong	(Chairman)
Ms. Ng Shin Ein	(Member)
Mr. Ong Pang Liang	(Member)
Mr. Garson David Lee	(Member)
Dato' Seri Kalimullah Bin Masheerul Hassan	(Member)

The ARMC has written terms of reference defining its role which include the following:

(a) review the scope and results of audit of the external audit and the independence (annually), its cost effectiveness and the objectivity of the external auditors;

(b) where the auditors also supply a substantial volume of non-audit services to the Company, the Committee shall keep the nature and extent of such services under review, seeking to maintain objectivity;

(c) meet with the external auditors and internal auditors without the presence of the Company's Management at least once a year:
- discuss problems and concerns, if any, arising from the internal and external audits, and any matters which the auditors may wish to discuss; and
- review the assistance given by Management to the auditors;

(d) determine the Company's levels of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems;

(e) review, comment and report to the Board at least annually, the adequacy and effectiveness of the Company's risk management and internal controls system;

(f) ensure that the internal audit function is adequately resourced (staffed with persons with the relevant qualifications and experience), independent of the activities it audits and has appropriate standing within the Company;

(g) review, at least annually, the adequacy and effectiveness of the internal audit function;

(h) review with the external auditors:
- the audit plan, including the nature and scope of the audit before the audit commences;
- their evaluation of the system of internal accounting controls;
- their audit report; and
- their management letter and Management's response;

(i) to ensure co-ordination where more than one audit firm is involved;

(j) to review the quarterly and annual financial statements before submission to the Board for approval, focusing in particular, on:
- changes in accounting policies and practices;
- major risk areas;
- significant adjustments resulting from the audit;
- the going concern statement;
- compliance with accounting standards; and
- compliance with stock exchange and statutory/regulatory/requirements;

(k) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

REPORT ON
CORPORATE GOVERNANCE

(l) review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement or any Singapore law, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and Management's response;
(m) review the policy and arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
(n) review interested person transactions, if any, as defined under the requirements of the Listing Manual;
(o) report to the Board its findings from time to time on matters arising and requiring the attention of the ARMC;
(p) undertake such other reviews and projects as may be requested by the Board;
(q) make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors; and
(r) disclose the following information in the Company's annual report:–
    - names of the members of the ARMC;
    - details of the ARMC's activities;
    - number of ARMC meetings held in that year; and
    - the attendance of individual directors at such meetings.

The ARMC has the authority to conduct or authorise investigations into any matter within its terms of reference, full access to and cooperation of the Management, and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its function properly. Management is invited to attend all meetings of the ARMC.

The ARMC also conducted a review of the Group's interested person transactions.

In performing its functions, the ARMC met with the external auditors and the internal auditors at least annually, each without the presence of Management. The external auditor has unrestricted access to the ARMC. Reasonable resources were made available to the ARMC to enable it to discharge its functions properly.

The external auditors periodically provide briefings to members of the ARMC in relation to updates on changes in accounting standards and treatment, and their corresponding impact on financial statements, if any.

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "**Independent Auditor's Report**" which is found in this Annual report.

During the year under review, the remuneration paid or payable to the Company's external auditors, Nexia TS Public Accounting Corporation ("**Nexia TS**") (including as auditor of subsidiary corporations by the network of member firms of Nexia International), is set out below.

Service Category	**Fees Paid/Payable (S$'000)**
Audit Service	97
Non-Audit Service	13
Total Fees	**110**

REPORT ON CORPORATE GOVERNANCE

The ARMC, having reviewed all non-audit services provided by the external auditors of the Company, Nexia TS, is satisfied that the nature and extent of such services would not prejudice the independence and objectivity of the external auditors and recommends to the Board, the nomination of Nexia TS for re-appointment as the auditors of the Company.

The external auditor of Taiga, a significant subsidiary of the Company, is Dale Matheson Carr-Hilton LaBonte, LLP ("**DMCL**"). During the year under review, the remuneration paid or payable to DMCL is set out below.

Service Category	**Fees Paid/Payable (S$'000)**
Audit Service	307
Non-Audit Service	47
Total Fees	**354**

The Company's external auditors, Nexia TS, is an accounting firm registered with the Accounting and Corporate Regulatory Authority. Having regard to Nexia TS's other auditing engagements, the size and complexity of the Group and the number and experience of supervisory and professional staff assigned to the audit, the ARMC is satisfied that Nexia TS and the audit engagement partner assigned to the audit have adequate resources and experience to meet its audit obligations. Nexia TS are the external auditors of the Company and its Singapore-incorporated subsidiaries. DMCL are the external auditors of Taiga, a foreign-incorporated subsidiary of the Company. In this connection, the Group confirms that it is in compliance with Rules 712 and 715 of the Listing Manual.

The Group has introduced a whistle-blowing framework, where employees of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting and other matters. The ARMC has ensured that arrangements are in place for concerns to be raised and independently investigated, and for appropriate follow-up action to be taken. Details of the whistle-blowing policies and arrangement were made available to all employees. The Group's whistle-blowing policy can be retrieved from its website. The Group seeks to continuously improve on and increase the effectiveness of its whistle-blowing measures.

None of the members nor the Chairman of the ARMC are former partners or directors of the Company's existing auditing firm, Nexia TS. Mr. Garson David Lee is a former partner of DMCL, the auditing firm of Taiga, a subsidiary of the Company, but had ceased to be a partner more than 12 months before he was appointed as a member of the ARMC in March 2017.

Principle 13: Internal Audit

The Group recognises the importance of the internal audit function as an integral part of an effective system of good corporate governance. The internal audit function is independent of Management. The internal auditor has a direct and primary reporting line to the Chairman of the ARMC, with administrative reporting to the CEO and Executive Director.

The internal audit function assists the ARMC and the Board in monitoring risks and internal controls of the Group. The internal audit function is carried out by persons with the relevant qualifications and experience, is adequately resourced and has appropriate standing within the Company. The internal audit schedules and scope of internal audit work each year are determined in consultation with, but independent of, Management and are submitted to the ARMC for approval.

REPORT ON CORPORATE GOVERNANCE

Where outsourced internal audit services are required to supplement the internal audit work for the financial year, the appointment of the internal audit firm to perform such services is approved by the ARMC. For FY2017, Crowe Howarth Governance Sdn Bhd was appointed to perform internal audit services for the Group's operations in Malaysia. The internal audit charter ensures the internal audit department has full access to all documents, records, properties and personnel of the Group.

The Group's internal auditors for FY2017 (including Crowe Howarth Governance Sdn Bhd) are guided by the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors in carrying out their internal audit.

The ARMC reviews the adequacy and effectiveness of the internal audit function of the Company at least annually during a meeting of the ARMC.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights
Principle 15: Communication with Shareholders
Principle 16: Conduct of Shareholder Meetings

The Group is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the share price or value.

The AGM is the principal forum for dialogue with shareholders. The Board welcomes questions and comments relating to the Group's business or performance from shareholders at AGMs. Shareholders are given an opportunity to air their views and direct questions to the Board on matters affecting the Group. The Chairman of the Board and the respective Chairman of the ARMC, NC and RC, all other Directors, Management and representatives of the external audit firm are normally present at the AGM to address questions from shareholders. Shareholders will be informed of the procedures, including voting procedures that govern general meetings of shareholders. All resolutions are put to vote by poll and where a resolution has been put to vote, the Company will make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. Electronic poll voting has not been adopted by the Company for the time being as the turnout of the shareholders is still considerably small and it is not cost effective to do so. The Company has not amended its Constitution to provide for absentia voting methods as this is likely to require the elaborate and costly implementation of a system to manage issues of security and authentication of shareholder identity, the need for which does not presently arise. Minutes of general meetings are prepared and available to shareholders upon their request in accordance with applicable laws.

The Company also encourages active shareholder participation at its general meetings. Notices of meetings are published in the major newspaper together with explanatory notes or a circular on items of special business, at least fourteen (14) clear days before the meeting. Reports or circulars of the general meetings are despatched to all shareholders by post or by electronic transmission in accordance with the Companies Act, the Listing Manual, and the Company's Constitution.

REPORT ON
CORPORATE GOVERNANCE

The Board is aware of its obligations to shareholders and has devised investor relations policies to provide regular, effective and fair communication and convey pertinent information to shareholders. In line with continuous disclosure obligations of the Company pursuant to the Listing Manual, the Board's policy is that all shareholders should be equally and timely informed of all major developments and events that impact the Group. Information is communicated to shareholders through public announcements via SGXNET, news releases where appropriate and annual reports/circulars that are sent to all shareholders and notices of general meeting are advertised. The Group does not practise selective disclosure of material information. Material information is excluded from briefings with investors or analysts, unless it has been publicly released via SGXNET before, or concurrently with, such meetings. Where there is inadvertent disclosure made to a selected group, the Group makes the same disclosure publicly to all others as soon as practicable.

For FY2017, the Company has paid an interim dividend of 0.50 cents per share and will be paying an additional final dividend of 0.50 cents per share, if approved by the members of the Company at the forthcoming AGM. The Company has stated that barring unforeseen circumstances and subject to compliance with the Companies Act, the Company will endeavour to continue to pay a final dividend of 1 cent per share annually for each of FY2016, FY2017 and FY2018, and will review its dividend policy for the financial years thereafter.

CODE OF BUSINESS CONDUCT

The Group has adopted a Code of Business Conduct to regulate the standards of ethical conduct of the Group, which provides that its Directors, officers and employees are required to observe and maintain high standards of integrity in compliance with the law, regulations and Group policies.

DEALING IN SECURITIES

In line with Rule 1207(19) of the Listing Manual, the Group has issued a policy on share dealings by the Company and the Directors and key officers of the Group, setting out the implications of insider trading and recommendations of the best practices set out in Rule 1207(19). The Group adopts a code of conduct to provide guidance to its Directors and officers with regard to dealing by the Company and its Directors and officers in the Company's shares, which includes an annual declaration by the Company's Directors and officers with regard to securities trading and disclosure by the Company's Directors and officers when they deal in the Company's shares. In addition, the policy also states that an officer should not deal in the Company's securities on short-term considerations.

The Group also issues periodic circulars to its Directors, officers and employees reminding them that there must be no dealings in the Company's shares during the period commencing two (2) weeks before the announcement of the Group's quarterly financial results, as the case may be, and if they are in possession of unpublished material and price-sensitive information. In the case of the Group's full year financial results announcement, the applicable period is one (1) month before the announcement of financial results.

REPORT ON CORPORATE GOVERNANCE

CORPORATE INFORMATION

Particulars of Directors as at 31 December 2017

Name of Directors	Board Committee as Chairman or Member	Directorship: Date first appointed Date last re-elected	Board appointment	Directorship in other listed companies in Singapore (present)	Directorship in other listed companies in Singapore (held over preceding 3 years)
Mr. Tong Kooi Ong	–	15 March 2012	Executive Chairman	3Cnergy Ltd	–
Mr. Koh Wan Kai	–	1 April 2009 28 April 2017	Executive	–	–
Mr. Khoo Hsien Ming Kevin	–	1 September 2015 29 April 2016	Executive	–	–
Mr. Tong Ian	–	7 March 2017 28 April 2017	Executive	–	–
Mr. Gary Ho Kuat Foong	Chairman: Audit and Risk Management Committee Member: Nominating Committee	31 October 2006 24 April 2015	Lead Independent	Rowsley Ltd. Secura Group Limited	–
Ms. Ng Shin Ein	Chairman: Remuneration Committee Member: Audit and Risk Management Committee Nominating Committee	20 April 2013 29 April 2016	Independent	Yanlord Land Group Limited First Resources Limited	–
Dato' Seri Kalimullah Bin Masheerul Hassan	Chairman: Nominating Committee Member: Audit and Risk Management Committee Remuneration Committee	20 April 2013 29 April 2016	Independent	–	–
Mr. Ong Pang Liang	Member: Audit and Risk Management Committee Remuneration Committee Nominating Committee	1 August 2010 24 April 2015	Independent	Secura Group Limited Rowsley Ltd.	–
Mr. Garson David Lee	Member: Audit and Risk Management Committee Remuneration Committee	7 March 2017 28 April 2017	Independent	–	–-

REPORT ON
CORPORATE GOVERNANCE

Attendance at Board and Committee Meetings for the financial year ended 31 December 2017

Directors	Board		Audit and Risk Management Committee		Nominating Committee		Remunerating Committee	
	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance
Mr. Tong Kooi Ong	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Koh Wan Kai	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Khoo Hsien Ming Kevin	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Tong Ian	4	3(1)	NA.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Gary Ho Kuat Foong	4	4	4	4	1	1	N.A.	N.A.
Ms. Ng Shin Ein	4	4	4	4	1	0(3)	1	1
Dato' Seri Kalimullah Bin Masheerul Hassan	4	4	4	3(4)	1	1	1	1
Mr. Ong Pang Liang	4	4	4	4	1	1	1	1
Mr. Garson David Lee	4	3(2)	4	3(2)	NA	N.A.	1	0(2)

Notes:

(1) Mr. Tong Ian was appointed as a director on 7 March 2017.
(2) Mr. Garson David Lee was appointed as an independent director and member of the ARMC and RC on 7 March 2017.
(3) Ms. Ng Shin Ein was only appointed as a member of NC on 7 March 2017.
(4) Dato' Seri Kalimullah Bin Masheerul Hassan was only appointed as a member of ARMC on 7 March 2017.

INTERESTED PERSON TRANSACTIONS POLICY

The Company has adopted an internal policy in respect of any transaction with interested persons and has set out the procedures for review and approval of the Company's interested person transactions.

There were no interested person transactions for FY2017. The Group has not obtained a general mandate from shareholders for Interested Person Transactions.

UPDATE ON USE OF PROCEEDS

Shares Placement (completion of allotment on 16 May 2012)

As regards the subscriptions for up to an aggregate of 109,931,000 new ordinary shares in the capital of the Company (the "**2012 Shares Placement**"), the amount of approximately S$31.3 million of the 2012 Shares Placement proceeds was utilised as follows:

(a) As announced on 28 February 2014, the Company has utilised an amount of S$24.0 million of the net proceeds of S$40.3 million raised from the Shares Placement (the "**Net Shares Placement Proceeds**") to satisfy the balance amount of the Part II Consideration.

The Company confirms that the above amounts of proceeds from the Shares Placement were used as previously disclosed.

(b) As announced on 26 March 2014, the Company has utilised an amount of approximately S$7.3 million of the Net Shares Placement Proceeds to satisfy the balance of the consideration which is due and payable under the Turnkey Agreement (the "**Turnkey Amount**").

The Company notes that the use of the Net Shares Placement Proceeds for the Turnkey Amount represents a change in the intended allocation of the Net Shares Placement Proceeds as stated in its announcement dated 4 May 2012.

(c) As announced on 1 February 2017, the Company has utilised the balance of the Net Shares Placement Proceeds being an amount of approximately S$9.0 million to partially satisfy the consideration which is due and payable under the Berjaya Acquisition and Genghis Acquisition (as defined in the Company's announcement dated 5 October 2016). Pursuant to the aforementioned utilization, the Net Shares Placement Proceeds has been fully utilised.

The use of such proceeds from the Shares Placement was in accordance with the intended purpose set out in the Company's announcement dated 26 March 2014 in relation to the Shares Placement, i.e. to pursue investments and opportunities in other industries as and when they arise.

Bonus Share Warrants

As announced on 13 February 2017, the Company issued and allotted 836,667,121 free bonus warrants to shareholders on the basis of one (1) warrant for every one (1) existing ordinary shares pursuant to a bonus warrants issue approved at the extraordinary general meeting held on 31 January 2017. The bonus warrants carried the right to subscribe for one (1) new share at the exercise price of S$0.37 for each new share and were listed and quoted on the SGX-ST on 16 February 2017.

As announced on 5 October 2016, the bonus warrants were issued in registered form and constituted by a deed poll setting out the terms and conditions of the Warrants (the "**Deed Poll**"). Each bonus warrant, subject to the terms and conditions in the Deed Poll, carry the right to subscribe for one (1) new share at the exercise price during the period commencing on and including the date six (6) months from the date of listing of the bonus warrants on the Official List of Singapore Exchange Securities Trading Limited and expiring at 5.00 p.m. on the market day immediately preceding the third (3rd) anniversary of the date of issue of the bonus warrants, unless such date is a date on which the register of members of the Company is closed or is not a market day, in which event the bonus warrants shall expire on the date prior to the closure of the register of members of the Company or on the immediately preceding market day, as the case may be (the "**Exercise Period**").

REPORT ON **CORPORATE GOVERNANCE**

Assuming that all the bonus warrants issued are exercised within the Exercise Period, the gross proceeds arising from the full exercise of 836,667,121 bonus warrants would be S$309,566,834. The estimated net proceeds from the exercise of the Bonus Warrants, after deducting estimated expenses of the Proposed Bonus Warrants Issue, will amount to approximately S$309,466,834. Such proceeds may, at the discretion of the Directors, be applied towards potential acquisitions, joint ventures, strategic alliances and/or working capital requirements of the Company and its subsidiaries.

As and when any significant amount of such proceeds is deployed, the Company will make the necessary announcements and subsequently provide a status report on the use of such proceeds in the Company's annual report. Pending the deployment of such proceeds for the uses identified above, such proceeds may be placed as deposits with financial institutions or invested in short-term money market or debt instruments or for any other purposes on a short-term basis as the Directors may deem fit.

Share Placement (completion of allotment on 27 March 2017)

As regards the subscriptions for aggregate of 40,000,000 new ordinary shares in the capital of the Company ("**the 2017 Shares Placement**"), as announced on 17 April 2017, the net proceeds of approximately S$9.9 million was fully utilised to partially repay the Company's outstanding bank borrowings, which is in accordance with the intended use as stated in the Company's announcement on 7 March 2017 i.e. to reduce its bank borrowings.

CORPORATE SOCIAL RESPONSIBILITY

The Group's Corporate Social Responsibility ("**CSR**") efforts are largely focused on Myanmar, where the Group sees room to help improve living and education standards.

The Group identified a government primary school near its power plant, No. 16 Basic Education Primary School, Insein township. In 2015, the Group replaced two-thirds of the school's old furniture with new desks and chairs to accommodate some 200 pupils per session.

In 2016, the Group took a major step further to improve conditions for the school. The Group spent US$50,000 to construct a new 900 sq ft air-conditioned multi-media hall, and equipped it with 31 sets of new computers, accessories, desks and chairs. The multi-media hall has become the pride of the school and the community. With this, the school also has one of the most advanced facilities among government primary schools, despite being located in one of the economically poorer townships in Yangon.

In 2017, the Group identified another government school that was in need of funds for repair, No.149 Basic Education Post-Primary School in Kanyatgyi Village, Kanma Township, Magway Region. The school, located some 400 miles from Yangon, has 177 students aged 5 to 13. The construction of a new 2,700 sq ft school building is in the final stages of completion.

Going forward, the Group will continue to identify more CSR projects in Myanmar.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2017 and the balance sheet of the Company as at 31 December 2017.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 52 to 142 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Tong Kooi Ong	(Executive Chairman and Chief Executive Officer)
Koh Wan Kai	(Executive Director, Paper Manufacturing)
Khoo Hsien Ming Kevin	(Executive Director, Investments and Power Generation)
Tong Ian	(Executive Director, Operations and Building Materials Distribution, appointed on 7 March 2017)
Gary Ho Kuat Foong	
Ng Shin Ein	
Kalimullah Bin Masheerul Hassan	
Ong Pang Liang	
Garson David Lee	(Appointed on 7 March 2017)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" in this statement.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2017	At 1.1.2017 or date of appointment if later	At 31.12.2017	At 1.1.2017 or date of appointment if later
Company				
(No. of ordinary shares)				
Tong Kooi Ong	–	–	221,925,000	213,561,000
Ong Pang Liang	5,000,000	5,000,000	–	–
Kalimullah Bin Masheerul Hassan	–	–	30,000,000	30,000,000
Ng Shin Ein	521,400	–	–	–
Tong Ian	–	–	2,800,000	2,500,000
Garson David Lee	–	–	1,300,000	1,300,000

Mr Tong Kooi Ong, who by virtue of his interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's wholly owned subsidiary corporations and in the shares held by the Company in the following subsidiary corporations that are not wholly owned by the Group:

	At 31.12.2017	At 1.1.2017
Taiga Building Products Ltd.		
– No. of ordinary shares	116,823,109	–
UPP Pulp & Paper (M) Sdn. Bhd.		
– No. of ordinary shares	–*	145,858,112
UPP Recycled Fibre (M) Sdn. Bhd.		
– No. of ordinary shares	–*	408,163
UPP-MSP Engineering Limited		
– No. of ordinary shares	50,000	50,000

The directors' interests in the ordinary shares of the Company as at 21 January 2018 were the same as those as at 31 December 2017.

* On 9 March 2017, the Group has increased its shareholding interest in UPP Pulp & Paper (M) Sdn. Bhd. and UPP Recycled Fibre (M) Sdn. Bhd. from 92.8% to 100%.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Share options

Employee Share Option Scheme

The UPP Employee Share Option Scheme (the "**Option Scheme**") for any director (including a Non-Executive Director) or confirmed employee of the Group selected by the Committee (the "**Participant**") was approved by members of the Company at an Extraordinary General Meeting on 21 April 2011.

The purpose of the Option Scheme is to provide an opportunity for employees of the Group who have contributed significantly to the growth and performance of the Group, as well as directors, to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to past contributions and services. Additionally, the Option Scheme will help the Group to attract and retain the services of appropriate, qualified and experienced employees who would be able to contribute to the Group's business and operations.

Under the Option Scheme, subject to the absolute discretion of the Committee, options to subscribe for the ordinary shares of the Company are granted to Participants who have attained the age of 21 years on or prior to the relevant Date of Grant, are not undischarged bankrupts, have not entered into a composition with their respective creditors, and, where applicable, who have, as of the Date of Grant, been in the employment of the Group for a period of at least 12 months, or such shorter period as the Committee may determine, and Non-Executive Directors who, in the opinion of the Committee, have contributed or will contribute to the success of the Group. The exercise price of the options is determined at the Market Price as quoted on the Singapore Exchange, or at a price which is set at a discount to the Market Price, the quantum of such discount to be determined by the Committee in its absolute discretion, provided that the maximum discount which may be given in respect of any Option shall not exceed 20% of the Market Price. Once the options are granted, they are exercisable within five years from the Date of Grant of the options. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the Option Scheme, shall not exceed 15% of the issued share capital of the Company on the day preceding that date.

There were no options granted during the financial year, including options to controlling shareholders of the Company or their associates (as defined in the Listing manual of Singapore Exchange Securities Trading Limited), to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial year.

DIRECTORS' **STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Audit and Risk Management Committee ("ARMC")

The members of the ARMC at the end of the financial year were as follows:

Gary Ho Kuat Foong (Chairman)
Ng Shin Ein
Ong Pang Liang
Kalimullah Bin Masheerul Hassan
Garson David Lee

All members of the ARMC are independent and non-executive directors.

The ARMC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the ARMC reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2017 before their submission to the Board of Directors.

The ARMC has recommended to the Board that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent Auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors

Tong Kooi Ong	**Koh Wan Kai**
Director	*Director*

19 March 2018

INDEPENDENT
AUDITOR'S REPORT
TO THE MEMBERS OF UPP HOLDINGS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of UPP Holdings Limited (the "**Company**") and its subsidiary corporations (the "**Group**"), which comprise the balance sheet of the Group and the balance sheet of the Company as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 52 to 142.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "**Act**") and Financial Reporting Standards in Singapore ("**FRSs**") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("**SSAs**"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("**ACRA**") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("**ACRA Code**") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UPP HOLDINGS LIMITED

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the matter
Business acquisition – Purchase Price Allocation (Refer to Note 36 to the financial statements)	
On 31 January 2017, the Group, through its wholly-owned subsidiary corporation, UPP Investments Canada Limited, acquired 58.34% interest in Taiga Building Products Ltd. ("**Taiga**"), a public company incorporated in Canada and listed on the Toronto Stock Exchange. FRS 103 Business Combinations requires the Group to recognise Taiga's identifiable assets, liabilities and contingent liabilities assumed at their fair values at the acquisition date. Any difference between the cost of the business combination and the Group's interest in the net fair values of the identifiable assets, liabilities and contingent liabilities assumed at the acquisition date is recorded either as goodwill or a gain on bargain purchase. Significant judgement is applied in the identification of any intangible assets acquired and contingent liabilities assumed in the transactions. Significant assumptions and estimates are also used in the determination of the fair values of the identified assets acquired and liabilities assumed in the transactions.	We have discussed with management and their external specialists on the purchase price allocation ("**PPA**"), and engaged our valuation specialists to assist in the audit of the PPA, including the following: • Identification and valuation of intangible assets acquired. We challenged the appropriateness of the useful lives assigned to the identified intangible assets, having regard to the expected use of these assets. We noted that the intangible assets identified are appropriate and within expectations for the industry and the useful lives assigned is reasonable. • Determination of the fair values of the identified assets acquired and liabilities assumed. We noted management's key assumptions applied in the PPA exercises in arriving at the fair values of the assets acquired and liabilities assumed to be within a reasonable range of our expectations. Based on our procedures, we are satisfied that the PPA has been performed in accordance with FRS 103 Business Combinations, including the disclosure thereon.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UPP HOLDINGS LIMITED

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the matter
Investments in Taiga Building Products Ltd ("Taiga") – Assessment of control (Refer to Notes 10 and 19 to the financial statements)	
On 17 November 2017, Taiga completed an exchange offer (the "**Exchange Offer**"), to purchase any and all of its outstanding 14% unsecured subordinated notes (the "**Existing Notes**") in exchange for new 7% senior notes of Taiga due 5 years from the date of issuance, common shares of Taiga at a rate of 833.33 Common Share for each C$1,000 principal amount of Existing Notes, or any combination of the foregoing at the option of the holder. Following the completion of the Exchange Offer, the Group's equity interest in Taiga decreased from 58.34% to 49.0% as at 31 December 2017. With less than a majority of the voting rights in Taiga, the Group requires to determine whether it is a parent by assessing whether it controls the investee in accordance with FRS 110 – Consolidated Financial Statements. An investor with less than a majority of the voting rights may hold the largest block of voting rights with the remaining voting rights widely-dispersed. The investor may have the power to unilaterally direct the investee unless a sufficient number of the remaining dispersed investors act in concert to oppose the influential investor. However, such concerted action may be hard to organise if it requires the collective action of a large number of unrelated investors.	We have discussed with management on their assessment in relation to the demonstration of control over Taiga. There are facts and circumstances supporting that the Group demonstrates a sufficiently dominant voting interest to meet the power criterion without the need to consider any other evidence of power on the basis of the absolute size of the Group's holding and the relative size of the remaining shareholdings. In view of the fact that the Group hold 49.0% equity interest and remaining voting rights are widely dispersed, any concerted action by the remaining shareholders to block the Group would be hard to organise. Hence, the Group has the power to unilaterally direct Taiga. We are satisfied with management's assessment that the Group has controls over Taiga and the Group will continue to consolidate Taiga's financial results in Group's financial statements for the financial year ended 31 December 2017.

INDEPENDENT
AUDITOR'S REPORT
TO THE MEMBERS OF UPP HOLDINGS LIMITED

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT
AUDITOR'S REPORT

TO THE MEMBERS OF UPP HOLDINGS LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT
AUDITOR'S REPORT
TO THE MEMBERS OF UPP HOLDINGS LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Philip Tan Jing Choon.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore
19 March 2018

BALANCE SHEETS

AS AT 31 DECEMBER 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
ASSETS					
Current assets					
Cash and cash equivalents	4	38,701	57,184	25,100	51,473
Trade and other receivables	5	130,831	13,163	91,919	53,646
Service concession receivables	6	15,910	17,219	–	–
Inventories	7	138,171	5,282	–	–
		323,613	92,848	117,019	105,119
Assets held-for-sale	11	7,742	8,494	–	–
		331,355	101,342	117,019	105,119
Non-current assets					
Property, plant and equipment	8	92,069	47,195	8	77
Available-for-sale financial assets	9	3,267	3,458	–	–
Investments in subsidiary corporations	10	–	–	20,533	15,694
Other receivables	5	–	–	16,713	22,609
Service concession receivables	6	28,608	38,109	–	–
Intangible assets	12	49,663	–	–	–
Deferred income tax assets	20	184	–	–	–
		173,791	88,762	37,254	38,380
Total assets		505,146	190,104	154,273	143,499
LIABILITIES					
Current liabilities					
Trade and other payables	13	84,179	5,677	1,626	911
Derivative financial instruments	14	38	–	–	–
Revolving credit facility	15	58,280	–	–	–
Bank borrowings	16a	34,086	–	–	–
Finance lease liabilities	16b	2,490	–	–	–
Current income tax liabilities		4,649	–	–	–
		183,722	5,677	1,626	911
Non-current liabilities					
Bank borrowings	16a	10,500	–	–	–
Finance lease liabilities	16b	23,834	–	–	–
Deferred gain	17	3,303	–	–	–
Provisions	18	838	–	–	–
Subordinated notes	19	13,313	–	–	–
Deferred income tax liabilities	20	4,461	685	–	–
		56,249	685	–	–
Total liabilities		239,971	6,362	1,626	911
NET ASSETS		265,175	183,742	152,647	142,588

The accompanying notes form an integral part of these financial statements

BALANCE SHEETS

AS AT 31 DECEMBER 2017

		Group		Company	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	21	150,519	140,578	150,519	140,578
Retained profits		62,742	55,168	2,054	1,936
Other reserves	22	(14,756)	(16,949)	74	74
		198,505	178,797	152,647	142,588
Non-controlling interests		66,670	4,945	–	–
Total equity		265,175	183,742	152,647	142,588

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 $'000	Group 2016 $'000
Revenue	24	1,455,163	63,347
Cost of sales		(1,322,745)	(44,677)
Gross profit		132,418	18,670
Other gains and losses	25	80	2,101
Expenses			
– Distribution		(23,484)	(1,675)
– Selling and administrative		(68,244)	(5,948)
– Finance	28	(15,622)	(4)
Profit before income tax		25,148	13,144
Income tax expense	29	(4,784)	(16)
Net profit		20,364	13,128
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial asset			
– Fair value changes	9	(191)	637
Currency translation differences arising from consolidation			
– Losses		(2,652)	(113)
Other comprehensive (loss)/income, net of tax		(2,843)	524
Total comprehensive income		17,521	13,652
Profit attributable to:			
Equity holders of the Company		16,340	12,563
Non-controlling interests		4,024	565
		20,364	13,128
Total comprehensive income attributable to:			
Equity holders of the Company		13,354	13,190
Non-controlling interests		4,167	462
		17,521	13,652
Earnings per share for profit attributable to equity holders of the Company (cents per share)			
– Basic	30	1.88	1.50
– Diluted	30	1.88	1.50

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	← Attributable to equity holders of the Company					→		
		Share capital $'000	Retained profits(1) $'000	Capital reserve $'000	Currency translation reserve $'000	Fair value reserve $'000	Total other reserves $'000	Non-controlling interests $'000	Total equity $'000
2017									
Beginning of financial year		140,578	55,168	712	(18,298)	637	(16,949)	4,945	183,742
Profit for the financial year		–	16,340	–	–	–	–	4,024	20,364
Other comprehensive (loss)/ income for the financial year		–	–	–	(2,795)	(191)	(2,986)	143	(2,843)
Total comprehensive income/ (loss) for the financial year		–	16,340	–	(2,795)	(191)	(2,986)	4,167	17,521
Share placement		10,000	–	–	–	–	–	–	10,000
Share placement expenses		(59)	–	–	–	–	–	–	(59)
Acquisition of a subsidiary corporation		–	–	–	–	–	–	(1,744)	(1,744)
Acquisition of non-controlling interests without a change in control	10	–	–	35	–	–	35	(4,897)	(4,862)
Deemed disposal of non-controlling interests without a change in control	10	–	–	5,144	–	–	5,144	64,199	69,343
Dividend relating to 2016 paid	23	–	(4,383)	–	–	–	–	–	(4,383)
Dividend relating to 2017 paid	23	–	(4,383)	–	–	–	–	–	(4,383)
Total transactions with owners, recognised directly in equity		9,941	(8,766)	5,179	–	–	5,179	57,558	63,912
End of financial year		150,519	62,742	5,891	(21,093)	446	(14,756)	66,670	265,175

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		← Attributable to equity holders of the Company →							
	Note	**Share capital $'000**	**Retained profits[1] $'000**	**Capital reserve $'000**	**Currency translation reserve $'000**	**Fair value reserve $'000**	**Total other reserves $'000**	**Non-controlling interests $'000**	**Total equity $'000**
2016									
Beginning of financial year		140,578	55,155	712	(18,288)	–	(17,576)	5,277	183,434
Profit for the financial year		–	12,563	–	–	–	–	565	13,128
Other comprehensive (loss)/ income for the financial year		–	–	–	(10)	637	627	(103)	524
Total comprehensive income/ (loss) for the financial year		–	12,563	–	(10)	637	627	462	13,652
Dividend paid to non-controlling interests		–	–	–	–	–	–	(794)	(794)
Dividend relating to 2015 paid	23	–	(8,367)	–	–	–	–	–	(8,367)
Dividend relating to 2016 paid	23	–	(4,183)	–	–	–	–	–	(4,183)
Total transactions with owners, recognised directly in equity		–	(12,550)	–	–	–	–	(794)	(13,344)
End of financial year		140,578	55,168	712	(18,298)	637	(16,949)	4,945	183,742

(1) Retained profits of the Group are distributable.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group	
	Note	**2017 $'000**	**2016 $'000**
Cash flows from operating activities			
Net profit		20,364	13,128
Adjustments for:			
– Income tax expense	29	4,784	16
– Depreciation of property, plant and equipment	26	6,963	2,550
– Amortisation of intangible assets	26	4,252	–
– Amortisation of deferred gain	25	(374)	–
– Loss/(gain) on disposal of property, plant and equipment	25	61	(52)
– Gain on disposal of asset held-for-sale	25	(1,161)	–
– Gain on extinguishment of subordinated notes	25	(2,420)	–
– Provisions		(4)	–
– Reversal of impairment of trade receivables	25	(143)	(67)
– Net fair value loss on derivatives		(5)	–
– Finance income	24	(5,892)	(6,374)
– Dividend income from quoted equity security	25	(194)	(115)
– Interest income	25	(141)	(480)
– Interest expense	28	15,622	4
– Unrealised currency translation losses/(gains)		7,266	(1,558)
Operating cash flow before working capital changes		48,978	7,052
Change in working capital, net of effects from acquisition of subsidiary corporation:			
– Trade and other receivables and service concession receivables		637	10,084
– Inventories		12,154	156
– Trade and other payables		9,459	828
Cash generated from operations		71,228	18,120
Interest received		141	309
Interest paid		(6,454)	(4)
Income tax paid		(6,828)	(16)
Net cash provided by operating activities		58,087	18,409
Cash flows from investing activities			
Additions to property, plant and equipment		(3,546)	(1,173)
Disposal of property, plant and equipment		758	55
Disposal of asset held-for-sale		1,896	–
Net cash outflow on acquisition of a subsidiary corporation	36	(87,184)	–
Dividend income from quoted equity security		194	115
Acquisition of subordinated notes		(57,302)	–
Purchase of available-for-sale financial asset		–	(2,821)
Net cash used in investing activities		(145,184)	(3,824)

CONSOLIDATED STATEMENT OF
CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 $'000	2016 $'000
Cash flows from financing activities			
Acquisition of non-controlling interests		(4,862)	–
Proceeds from shares placement		10,000	–
Share issue expense		(59)	–
Repayment of obligations under finance leases		(2,007)	–
Proceeds from bank borrowings		55,000	–
Repayment of bank borrowings		(11,770)	–
Redemption of subordinated notes		(15,905)	–
Subordinated notes interest paid		(9,649)	–
Dividends paid to equity holders of the Company	23	(8,766)	(12,550)
Dividend paid by a subsidiary corporation to non-controlling interests		–	(794)
Net cash generated from/(used in) financing activities		11,982	(13,344)
Net (decrease)/increase in cash and cash equivalents		(75,115)	1,241
Cash and cash equivalents			
Beginning of financial year		57,184	54,893
Effects of currency translation on cash and cash equivalents		(1,648)	1,050
End of financial year	4	(19,579)	57,184

A reconciliation of liabilities arising from financing activities is as follows:

			Non-cash changes				
	2016 $'000	Cash flows $'000	Acquisition (Note 36) $'000	Equity conversion $'000	Other $'000	Foreign exchange movement $'000	2017 $'000
Finance lease liabilities	–	(2,007)	28,015	–	777	(461)	26,324
Bank borrowings	–	43,230	1,397	–	–	(41)	44,586
Subordinated notes	–	(15,905)	160,456	(127,652)	(2,420)	(1,166)	13,313

The accompanying notes form an integral part of these financial statements

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 GENERAL INFORMATION

UPP Holdings Limited (the "**Company**") is listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and incorporated and domiciled in Singapore. The address of its registered office is 1 Kim Seng Promenade, #13-10 Great World City West Tower, Singapore 237994.

The principal activities of the Company are the trading of paper products, investment holding and providing management services. The principal activities of the subsidiary corporations are stated in Note 10 to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("**FRS**") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2017

On 1 January 2017, the Group adopted the new or amended FRS and Interpretations of FRS ("**INT FRS**") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

FRS 7 Statement of cash flows

The amendments to FRS 7 Statement of cash flows (Disclosure initiative) sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has included the additional required disclosures in Consolidated Statement of Cash Flows to the Financial Statement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue recognition

Sales comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(i) Sale of goods

Revenue from these sales is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customers which generally coincides with delivery and acceptance of the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Construction revenue

Please refer to the paragraph "Service concession arrangement" for the accounting policy for revenue from construction contracts (Note 2.8).

(iii) Operating and maintenance income

Operating and maintenance income relates to the income derived from managing and operation of infrastructure under service concession arrangement.

Operating and maintenance income are recognised when services are rendered.

(iv) Finance income

Finance income from service concession arrangement is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Finance income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(v) Interest income

Interest income is recognised using the effective interest method.

(vi) Dividend income

Dividend income is recognised when the right to receive payment is established.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting

(a) *Subsidiary corporations*

(i) *Consolidation*

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, intercompany transactions and balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

(ii) *Acquisitions*

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (Continued)

(a) *Subsidiary corporations (Continued)*

(ii) *Acquisitions (Continued)*

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill" for the subsequent accounting policy on goodwill.

(iii) *Disposals*

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporation are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment

(a) *Measurement*

(i) *Land and buildings*

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at cost less accumulated impairment losses. Buildings and leasehold land are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Other property, plant and equipment*

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(iii) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Costs also includes borrowing costs (refer to Note 2.6 on borrowing costs).

(b) *Depreciation*

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line and declining balance methods to allocate their depreciable amounts over their estimated useful lives and annual rates as follows:

Straight-line method	**Useful lives**
Leasehold land	90 to 99 years
Leasehold improvements	Over term of lease
Building	50 years
Treating equipment	20 to 25 years
Plant and machinery	3 to 40 years
Computer system and license	3 to 10 years
Furniture, fixtures and office equipment	3 to 10 years
Motor vehicles	5 years

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (Continued)

(b) *Depreciation (Continued)*

Declining balance method	**Annual rates**
Buildings	4% to 10%
Furniture and office equipment	8% to 30%
Warehouse equipment	10% to 30%

The residual values, estimated useful lives or annual rates and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Assets that are not yet available for use are not being depreciated.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other gains and losses".

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiary corporations and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill is carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiary corporations include the carrying amount of goodwill relating to the entity sold.

(b) Other intangible assets

Other intangible assets from a business acquisition are capitalised at fair value at the date of acquisition. After initial recognition, an intangible asset is carried at cost less accumulated amortisation and any accumulated impairment losses. These costs are amortised to profit or loss on a straight-line basis in accordance with their estimated economic useful lives or periods of contractual rights as follows:

Intangible assets	Useful lives
Customer relationships	7 years
Favourable lease terms	Lease term (ranging from 2 to 17 years)

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.6 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2.7 Investments in subsidiary corporations

Investments in subsidiary corporations are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Service concession arrangement

(a) Consideration given by the grantor

A financial asset (receivable under service concession arrangement) is recognised to the extent that the Group has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered and/or the consideration paid and payable by the Group for the right to manage and operate the infrastructure for public service. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts to be paid by the grantor based on the usage of the service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset (receivable under service concession arrangement) is accounted for in accordance with the policy set out in Note 2.10 below.

(b) Construction of service concession related infrastructure

Revenue and costs relating to construction phase of a concession arrangement is accounted for in accordance with FRS 11 *Construction Contracts*. The Group recognised the construction revenue with reference to the fair value of the construction service delivered in the construction phase.

Where the outcome of a construction contract including construction or upgrade services of the infrastructure under a service concession arrangement can be estimated reliably, contract revenue and contract costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that the amount can be measured reliably and its receipt is considered probable. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(c) Operating services

Revenue relating to operating services is accounted for in accordance with the policy for "Revenue recognition (operating and maintenance income)" as described in Note 2.2 above.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Service concession arrangement (Continued)

(d) Contractual obligations to restore the infrastructure to a specified level of serviceability

When the Group has contractual obligations that it must fulfil as a condition for operating the infrastructure, that is (a) to maintain the infrastructure to a specified level of serviceability and/or (b) to restore the infrastructure to a specified condition before they are handed over to the grantor at the end of the service concession arrangement, these contractual obligations to maintain or restore the infrastructure are recognised and measured in accordance with the policy set out in Note 2.18 below.

Repair and maintenance and other expenses that are routine in nature are expensed and recognised in profit or loss as incurred.

2.9 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-operating-units ("**CGU**") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets (Continued)

(b) *Intangible assets*
Property, plant and equipment
Investments in subsidiary corporations

Intangible assets, property, plant and equipment and investments in subsidiary corporations are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("**CGU**") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "Trade and other receivables" (Note 5), "Cash and cash equivalents" (Note 4) and "Service concession receivables" (Note 6) on the balance sheet.

(iii) *Held-to-maturity financial assets*

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. They are presented as non-current assets, except for those maturing within 12 months after the balance sheet date which are presented as current assets.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

(a) *Classification (Continued)*

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) *Subsequent measurement*

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

(d) Subsequent measurement (Continued)

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise.

Interest and dividend income on available-for-sale financial assets are recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables/Held-to-maturity financial assets

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

(e) *Impairment (Continued)*

(ii) *Available-for-sale financial assets*

In addition to the objective evidence of impairment described in Note 2.10(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If there is objective evidence of impairment, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss. The amount of cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and current fair value, less any impairment loss on that financial assets previously recognised in profit or loss. The impairment losses recognised as an expense for an equity security are not reversed through profit or loss in subsequent period.

2.11 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.14 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of currency forwards are determined using actively quoted forward exchange rates. The fair values of interest rate swaps are calculated as the present value of the estimated future cash flows discounted at actively quoted interest rates.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Leases

When the Group is the lessee

The Group leases buildings and operating equipment under finance leases and certain properties under operating leases from non-related parties.

(i) Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Inventories

Inventories are carried at the lower of cost and net realisable value, except for production consumables which are recorded at the lower of cost and replacement cost which approximates net realisable value.

Cost of raw materials is determined using the weighted average method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and an appropriate proportion of manufacturing overheads (based on normal operating capacity) but excludes borrowing costs.

Where necessary, damaged, obsolete and slow moving items are write down to net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Income taxes (Continued)

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, investment and reinvestment allowance) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Other provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expenses.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund in Singapore and Employee Provident Fund in Malaysia on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

(b) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on grant date. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued, or to the "Treasury shares" account, when treasury shares are re-issued to the employees.

(c) *Profit sharing and bonus plan*

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision when it is contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay.

(d) *Short-term compensated absences*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employee up to the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiary corporations. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiary corporations fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiary corporations' borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

2.21 Deferred gain

Deferred gains on sale and leaseback transactions are amortised over the terms of the lease contracts.

2.22 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("**functional currency**"). The financial statements are presented in Singapore Dollar ("**$**"), which is the functional currency of the Company.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("**foreign currency**") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within "Finance expenses". All other foreign exchange gains and losses impacting profit or loss are presented in the statement of comprehensive income within "Other gains and losses".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Currency translation (Continued)

(c) *Translation of Group's entities financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the balance sheet date;

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the balance sheet date.

2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance.

2.25 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value and outstanding revolving credit facility. Revolving credit facility is presented as current borrowings on the balance sheet. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.27 Dividends to Company's shareholders

Dividends to Company's shareholders are recognised when the dividends are approved for payment.

2.28 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

2.29 Non-current assets held-for-sale

Non-current assets are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3.1 Critical accounting estimates and assumptions

(a) *Valuation of goodwill, intangible assets and tangible assets/liabilities through business combination*

Business combination is accounted for by applying the acquisition method. Purchase price allocation exercise requires a significant amount of management estimation, particularly in relation to the identification and valuation of intangible assets and assignment of their useful lives. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The fair value of such assets and liabilities are estimated by management and independent professional valuer where significant, or using the discounted cash flow method, which requires the Group to make an estimate of the expected future cash flows of the acquired business and choosing a suitable discount rate. The Group completed the acquisition of Taiga Building Products Ltd. in January 2017 and disclosed in Note 36 to the financial statements.

(b) *Carrying amount of service concession receivables*

The service concession receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. The effective interest method uses a set of estimated future cash flows through the expected life of the financial asset using all of the financial asset's contractual terms, rather than contractual cash flows.

Estimation is exercised in preparing and forecasting the future cash flows and may have an impact to the financial statements. The Group is required to reflect the actual cash and revised estimated cash flows whenever circumstances require the Group to revise its cash flow estimates and an adjustment to the carrying amount of the financial asset.

The assumptions used and estimates made can materially affect the carrying amount of the service concession receivables. The carrying amount of the Group's receivables arising from service concession arrangement at the end of the reporting period is disclosed in Note 6 to the financial statements.

If the actual cash flows differ by 10% from management estimates, the carrying amount of the service concession receivables will be increased/decreased by $972,000 (2016: $245,000) and correspondingly to profit or loss.

(c) *Useful lives of property, plant and equipment*

The estimated useful lives and recoverable amounts of property, plant and equipment are based on judgement and the best currently available information. Useful life is defined as the period over which an asset is expected to be available for use by the Group. An asset's useful life may be different than its physical life and the estimate of the useful life involves a significant degree of management judgement. The carrying amount and estimated useful life are reviewed annually by management, taking into considerations of physical, economic and commercial conditions.

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3.1 Critical accounting estimates and assumptions (Continued)

(c) *Useful lives of property, plant and equipment (Continued)*

As at 31 December 2017, the carrying amount of the property, plant and equipment was $92,069,000 (2016: $47,195,000). Changes in the expected level of usage and technological developments could impact the economic useful life and the residual value of the asset, therefore future depreciation charges could be revised.

If the actual useful lives of the property, plant and equipment differ by 10% from management estimates, the carrying amount of the property, plant and equipment will be $696,000 (2016: $255,000) higher or lower.

(d) *Allowance for impairment of receivables*

The Group makes allowances for impairment of receivables based on an assessment of recoverability of trade and other receivables. Allowances are adopted to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of receivables requires the use of judgements and estimates, where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and allowance for impairment expenses in the period in which such estimate has been changed. As at 31 December 2017, the total allowances for impairment of receivables of the Group are $870,000 (2016: $230,000).

If the impairment of receivables differs by 10% from management's estimates, the allowance for impairment of receivables of the Group would have been lower/higher by $87,000 (2016: $23,000).

(e) *Current and deferred income tax*

The Group calculates current and deferred tax provisions for each of the jurisdictions in which it operates. Actual amounts of income tax expense are not final until tax returns are filed and accepted by the relevant authorities and ultimately until they are statute barred from reassessment. This occurs subsequent to the issuance of financial statements. Therefore, results in subsequent periods will be affected by the amount that estimates differ from the final tax filings, resolution of uncertain tax positions, open years or tax disputes that may arise.

The Group must make estimates and assumptions when assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. The Group also evaluates the recoverability of deferred tax assets based on an assessment of the likelihood of using the underlying future tax deductions against future taxable income before they expire. Deferred tax liabilities arising from temporary differences on investments in subsidiaries are recognised unless the reversal of the temporary differences is not expected to occur in the foreseeable future and can be controlled. Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates. These estimates and judgements are subject to risk and uncertainty and could result in an adjustment to the deferred tax provision and a corresponding credit or charge to income. New information may become available that causes the Group to change its judgement and estimates regarding the adequacy of provisions related to income and other taxes. Any changes will be recorded prospectively in the period that such determinations are made.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3.1 Critical accounting estimates and assumptions (Continued)

(e) Current and deferred income tax (Continued)

The total carrying amount of recognised capital allowance, investment and reinvestment allowance and other temporary differences of the Group amounted to $39,278,000 (2016: $32,548,000) and the unrecognised tax losses, capital allowances, and investment and reinvestment allowances of the Group and unrecognised tax losses of the Company were $10,398,000 (2016: $9,724,000) and $243,000 (2016: $Nil) respectively.

(f) Valuation of inventories

Inventories are carried at the lower of cost and net realisable value, except for production consumables which are recorded at the lower of cost and replacement cost which approximates net realisable value. The Group reviews the ageing analysis of inventories at each balance sheet date, and obsolete and slow moving inventory items identified that are no longer suitable for sale are write-down. The net realisable value for such inventories are estimated based primarily on the latest product prices and current market conditions. The carrying amount of the Group's inventories is disclosed in Note 7 to the financial statements. If the net realisable value of the inventories were lower by 1%, the carrying amount of inventories will be decreased by $1,382,000 (2016: $52,000).

3.2 Critical judgements in applying the entity's accounting policies

(a) Control over Taiga Building Products Ltd.

Note 10 to the financial statements describes that Taiga Building Products Ltd ("**Taiga**") is a subsidiary corporation of the Group even though the Group has only a 49.0% equity interest and has only 49.0% voting rights in Taiga. Taiga is listed on the Toronto Stock Exchange. The Group has held 58.34% equity interest since 31 January 2017 (date of acquisition) and reduced to 49.0% equity interest resulted from the completion of Taiga's Exchange Offer with effect from November 2017 and the remaining 51.0% of the equity interests are held by thousands of shareholders that are unrelated to the Group.

The management of the Group assessed whether or not the Group has control over Taiga based on whether the Group has the practical ability to direct the relevant activities of Taiga unilaterally. In making the judgement, the management considered the Group's absolute size of holding in Taiga and the relative size of and the dispersion of the shareholdings owned by the remaining shareholders. After assessment, the management concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Taiga and therefore the Group has control over Taiga.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4 CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Cash at bank and on hand	14,024	52,666	5,094	49,209
Short-term bank deposits	24,677	4,518	20,006	2,264
	38,701	57,184	25,100	51,473

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2017	2016
	$'000	$'000
Cash and bank balances (as above)	38,701	57,184
Less: Revolving credit facility (Note 15)	(58,280)	–
Cash and cash equivalents per consolidated statement of cash flows	(19,579)	57,184

Acquisition of subsidiary corporation

Please refer to Note 36 to the financial statements for the effects of acquisition of subsidiary corporation on the cash flows of the Group.

Cash and bank balances denominated in foreign currency other than the functional currencies of the Group's entities at balance sheet date are as follows:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
United States Dollar	7,423	49,498	4,546	48,758

5 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Current trade and other receivables				
Trade receivables – non-related parties	127,823	12,441	176	113
Less: Allowance for impairment of receivables – non-related parties (Note 34(i))	(870)	(230)	–	–
Trade receivables – net	126,953	12,211	176	113
Amounts due from subsidiary corporations – non-trade (Note 34 (ix)(i))	–	–	15,697	48,947
Loan to subsidiary corporations	–	–	75,952	4,522
Deposits	341	479	35	35
Prepayments	2,512	165	24	22
Other receivables – non-related parties	1,025	308	35	7
	3,878	952	91,743	53,533
	130,831	13,163	91,919	53,646
Non-current other receivables				
Loan to a subsidiary corporation	–	–	16,713	22,609
	130,831	13,163	108,632	76,255

Trade receivables of $112,975,000 (2016: $Nil) of the Group are pledged as security for the revolving credit facility of the Group (Note 15).

Trade receivables are non-interest bearing and are generally on 30 to 120 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The non-trade amounts due from subsidiary corporations are unsecured, interest-free and are repayable on demand.

Total current and non-current loan to a subsidiary corporation by the Company amounted to $20,891,000 are unsecured, bears interest at 8% per annum and repayable in 8 equal annual instalments commencing on 28 February 2015. The remaining current portion of loan to subsidiary corporations by the Company are unsecured, bears interest at 11% per annum and repayable on demand.

5 TRADE AND OTHER RECEIVABLES (CONTINUED)

The fair value of the non-current loan to a subsidiary corporation is as follows:

	Company	
	2017	2016
	$'000	$'000
Loan to a subsidiary corporation	16,713	22,609

The fair value is determined from the cash flow analysis, discounted at effective interest rate of 8% (2016: 8%) which the management is of the opinion that is similar to the market interest rate for an instrument bearing the same risk profile and characteristics at the end of the reporting period. The fair value is within Level 2 of the fair value hierarchy.

Trade and other receivables denominated in foreign currency other than the functional currencies of the Group's entities at balance sheet date are as follows:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
United States Dollar	5,249	533	22,204	37,518
Canadian Dollar	–	–	78,897	–

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

6 SERVICE CONCESSION RECEIVABLES

	Group	
	2017	2016
	$'000	$'000
Current portion	15,910	17,219
Non-current portion	28,608	38,109
	44,518	55,328

During the current financial year, the Group recognised finance income of $5,892,000 (2016: $6,374,000) as revenue from service concession arrangement. The effective interest rate applied is 12% (2016: 12%) per annum.

The carrying value of the non-current portion of service concession receivables is approximates its fair value.

The service concession receivables are denominated in the functional currency of the subsidiary corporation.

Service concession arrangement

In 2014, the Group through its subsidiary corporation has entered into a service concession arrangement with Electric Power Generation Enterprise ("**EPGE**"), a governmental body of the Republic of the Union of Myanmar (the grantor) to provide electricity generated by it to EPGE on a take or pay and Build-Operate-Transfer ("**BOT**") basis.

Under the service concession arrangement, the Group is responsible for the construction of the gas-fired electricity generating power plant (the "**plant**") in Ywama (Yangon), Myanmar. Upon completion of the construction, the Group is responsible for operating the plant and sale of electrical energy generated by it to EPGE, the off-taker. The concession period for the plant is 30 years. During the concession period, the Group receives guaranteed minimum annual payments from EPGE. These guaranteed minimum annual payments are recognised as financial receivables to the extent that the Group has contractual rights under the concession arrangements. The financial receivables are measured on initial recognition at their fair value.

The service concession agreement contains a renewal option. Subject to the terms and conditions of the service concession arrangement, the Group and EPGE have the right to terminate the agreement. At the end of the concession period, the title to the plant will be transferred to EPGE.

The counterparty of the above service concession arrangement is a governmental body in the Republic of the Union of Myanmar. Management is of the view that the associated credit risk is not significant.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

7 INVENTORIES

	Group	
	2017	2016
	$'000	$'000
Building products:		
– Allied building products	26,513	–
– Lumber products	78,357	–
– Panel products	25,827	–
Paper products:		
– Finished goods	4,075	2,870
– Raw materials	2,181	1,768
Work-in-progress	13	8
Production consumables	1,205	636
	138,171	5,282

The cost of inventories recognised as an expense and included in "cost of sales" amounted to $30,213,000 (2016: $25,008,000). The Group has recognised a write-down on its slow-moving inventories amounting to $1,170,000 (2016: $Nil) (Note 26).

Inventories of $131,302,000 (2016: $Nil) of the Group are pledged as security for the revolving credit facility of the Group (Note 15).

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land $'000	Leasehold Land, Buildings and Improvements $'000	Plant and Machinery $'000	Furniture, Fixtures and Office Equipment $'000	Motor Vehicles $'000	Computer System and License $'000	Total $'000
Group							
2017							
Cost							
Beginning of financial year	3,668	16,355	56,736	1,353	1,584	–	79,696
Currency translation differences	(151)	(315)	1,366	25	29	(141)	813
Acquisition of subsidiary corporation (Note 36)	6,108	32,475	4,034	687	–	4,573	47,877
Additions	–	888	2,082	505	202	831	4,508
Disposals	–	(113)	(321)	(61)	(222)	–	(717)
Written off	–	–	–	(51)	–	–	(51)
End of financial year	9,625	49,290	63,897	2,458	1,593	5,263	132,126
Accumulated depreciation							
Beginning of financial year	–	4,960	25,100	1,157	1,284	–	32,501
Currency translation differences	–	149	686	34	20	5	894
Charge for the year (Note 26)	–	2,830	2,901	270	176	786	6,963
Disposals	–	(10)	(8)	(10)	(222)	–	(250)
Written off	–	–	–	(51)	–	–	(51)
End of financial year	–	7,929	28,679	1,400	1,258	791	40,057
Net Book Value							
End of financial year	9,625	41,361	35,218	1,058	335	4,472	92,069

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold Land $'000	Leasehold Land and Building $'000	Plant and Machinery $'000	Furniture, Fixtures and Office Equipment $'000	Motor Vehicles $'000	Total $'000
Group						
2016						
Cost						
Beginning of financial year	3,748	17,538	57,066	1,375	1,629	81,356
Currency translation differences	(80)	(373)	(1,251)	(28)	(28)	(1,760)
Additions	–	–	963	65	143	1,171
Disposals	–	–	–	(4)	(98)	(102)
Written off	–	–	–	(46)	–	(46)
Reclassified as assets held-for-sale (Note 11)	–	(810)	(42)	(9)	(62)	(923)
End of financial year	3,668	16,355	56,736	1,353	1,584	79,696
Accumulated depreciation						
Beginning of financial year	–	4,807	23,788	1,167	1,241	31,003
Currency translation differences	–	(115)	(572)	(24)	(25)	(736)
Charge for the year (Note 26)	–	354	1,903	69	224	2,550
Disposals	–	–	–	(4)	(95)	(99)
Written off	–	–	–	(46)	–	(46)
Reclassified as assets held-for-sale (Note 11)	–	(86)	(19)	(5)	(61)	(171)
End of financial year	–	4,960	25,100	1,157	1,284	32,501
Net book value						
End of financial year	3,668	11,395	31,636	196	300	47,195

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Furniture, Fixtures, and Office Equipment $'000	Motor Vehicles $'000	Total $'000
Company			
2017			
Cost			
Beginning of financial year	64	430	494
Additions	12	–	12
Written off	(5)	–	(5)
End of financial year	71	430	501
Accumulated depreciation			
Beginning of financial year	59	358	417
Charge for the year	9	72	81
Written off	(5)	–	(5)
End of financial year	63	430	493
Net book value			
End of financial year	8	–	8
Company			
2016			
Cost			
Beginning of financial year	69	430	499
Additions	7	–	7
Disposal	(2)	–	(2)
Written off	(10)	–	(10)
End of financial year	64	430	494
Accumulated depreciation			
Beginning of financial year	60	272	332
Charge for the year	11	86	97
Disposal	(2)	–	(2)
Written off	(10)	–	(10)
End of financial year	59	358	417
Net book value			
End of financial year	5	72	77

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The computer system and license assets include costs associated with upgrade projects that relate to the computer system placed into service in February 2011. As of 31 December 2017, the development costs of the upgrade projects that are not ready for use were $693,000 (2016: $Nil). No depreciation has been recognised on the components that are not ready for use.

Included within additions in the consolidated financial statements are plant and machinery acquired under finance leases amounting to $985,000 (2016: $Nil).

The net book value of leasehold land, buildings and improvements and plant and machinery held under finance leases are $20,290,000 (2016: $Nil) and $1,452,000 (2016: $Nil) respectively at the balance sheet date. Title of leased assets remains with the lessor.

Bank borrowing of $1,086,000 (2016: $Nil) is secured on freehold land and leasehold building of the Group with net book value of $1,127,000 (2016: $Nil) and $1,517,000 (2016: $Nil) respectively.

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2017	2016
	$'000	$'000
Beginning of financial year	3,458	–
Additions	–	2,821
Fair value (losses)/gains recognised in other comprehensive income	(191)	637
End of financial year	3,267	3,458

Available-for-sale financial asset is analysed as follows:

Listed security		
Equity security – Malaysia	3,267	3,458

Available-for-sale financial asset denominated in foreign currency other than the functional currencies of the Group's entities at balance sheet date are as follows:

	Group	
	2017	2016
	$'000	$'000
Malaysian Ringgit	3,267	3,458

10 INVESTMENTS IN SUBSIDIARY CORPORATIONS

	Company	
	2017	2016
	$'000	$'000
Equity investments at cost		
Beginning of financial year	15,694	15,694
Additions	4,839	–
End of financial year	20,533	15,694

The Group has the following subsidiary corporations as at 31 December 2017 and 2016:

Name of companies	Country of business/ incorporation	Principal activities	Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2017	2016	2017	2016
			%	%	%	%
Held by the Company						
[(1)]UPP Industries Pte. Ltd.	Singapore	Investment holding, rental and management of property	100	100	–	–
[(1)]UPP Greentech Pte. Ltd.	Singapore	Investment holding	100	100	–	–
[(1)]UPP Investment Pte. Ltd.	Singapore	Investment holding	100	100	–	–
[(3)]UPP Investments Canada Limited	Canada	Investment holding	*	100	–	–
[(3)(5)]UPP Investments Luxembourg S.à.r.l.	Luxembourg	Investment holding	100	–	–	–

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

10 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Name of companies	Country of business/ incorporation	Principal activities	Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2017	2016	2017	2016
			%	%	%	%
Held through subsidiary corporations						
(2)UPP Capital (M) Sdn. Bhd.	Malaysia	Investment holding	100	100	–	–
(2)UPP Pulp & Paper (M) Sdn. Bhd.	Malaysia	Manufacture and sale of paper products and trading in recycled fibre	100	92.8	–	7.2
(2)UPP Recycled Fibre (M) Sdn. Bhd.	Malaysia	Dormant	100	92.8	–	7.2
(3)UPP-MSP Engineering Limited	Myanmar	Dormant	75	75	25	25
(3)UPP Power (Myanmar) Limited	Myanmar	Design, operate and maintain power plants for electricity generation and sell the electricity produced to the Myanmar Government	100	100	–	–
(3)UPP Investments Canada Limited	Canada	Investment holding	*100	–	–	–
(4)(6)(7)Taiga Building Products Ltd. and its Subsidiary Corporations	Canada	Independent wholesale distributor of building products	49	–	51	–

* The Company has transferred its entire shareholdings in UPP Investments Canada Limited to UPP Investments Luxembourg S.à.r.l., another wholly-owned subsidiary corporation of the Company in February 2017.

(1) Audited by Nexia TS Public Accounting Corporation, Singapore, a member firm of Nexia International.

(2) Audited by SSY Partners Chartered Accountants, Malaysia, a member firm of Nexia International.

(3) Audited by Nexia TS Public Accounting Corporation for consolidation purposes.

(4) Audited by Dale Matheson Carr-Hilton Labonte, LLP, Vancouver, an independent member firm associated with Moore Stephens International Limited.

(5) Incorporated on 20 January 2017.

(6) Acquired during the financial year ended 31 December 2017. The Group's shareholding has decreased from 58.34% as at acquisition date to 49.0% as at financial year ended 31 December 2017 as a result of the completion of the Exchange Offer (Note 19). The effect of changes in the ownership interest of Taiga on the equity attributable to owners of the Company during the year is disclosed as below.

(7) Deemed to be a subsidiary corporation as the Group has de facto control over Taiga Building Products Ltd. and its subsidiary corporations.

10 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Carrying value of non-controlling interests

	2017 $'000	2016 $'000
Taiga Building Products Ltd. and its subsidiary corporations	66,659	–
Other subsidiary corporations with immaterial non-controlling interests	11	4,945
Total	66,670	4,945

Summarised financial information of a subsidiary corporation with material non-controlling interests

Set out below are the summarised financial information for a subsidiary corporation that has non-controlling interests that are material to the Group. This is presented before inter-company eliminations.

Taiga Building Products Ltd. and its Subsidiary Corporations

Summarised balance sheet as at 31 December 2017

	$'000
Current	
Assets	247,433
Liabilities	(144,864)
Total current net assets	102,569
Non-current	
Assets	94,988
Liabilities	(45,066)
Total non-current net assets	49,922
Net assets	152,491

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

10 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Taiga Building Products Ltd. and its Subsidiary Corporations (Continued)

Summarised statement of comprehensive income for the period from 31 January 2017 (date of acquisition) to 31 December 2017

	$'000
Revenue	1,389,174
Loss before income tax	(9,504)
Income tax expense	(3,752)
Loss after tax – continuing operations	(13,256)
Other comprehensive loss	(861)
Total comprehensive loss	(14,117)
Total comprehensive loss allocated to non-controlling interest	(7,783)
Dividends paid to non-controlling interests	–

Summarised cash flows for the period from 31 January 2017 (date of acquisition) to 31 December 2017

	$'000
Cash flows from operating activities	
Cash generated from operations	55,986
Interest paid	(5,804)
Income tax paid	(6,131)
Net cash generated from operating activities	44,051
Net cash used in investing activities	(1,652)
Net cash used in financing activities	(33,960)
Net increase in cash and cash equivalents	8,439
Cash and cash equivalents at date of acquisition (Note 36)	(66,707)
Effects of currency translation on cash and cash equivalents	(12)
Cash and cash equivalents at end of the financial period	(58,280)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

10 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Transaction with non-controlling interests

Acquisition of additional interest in a subsidiary corporation

On 9 March 2017, UPP Industries Pte. Ltd., a wholly-owned subsidiary corporation of the Company acquired the remaining 7.2% of the issued shares of UPP Pulp & Paper (M) Sdn. Bhd. ("**UPP Paper**") for a purchase consideration of $4,862,000. The Group now holds 100% of the equity share capital of UPP Paper. The carrying amount of the non-controlling interests in UPP Paper on the date of acquisition was $4,897,000. The Group derecognised non-controlling interests of $4,897,000 and recorded an increase in equity attributable to owners of the Company of $35,000. The effect of changes in the ownership interest of UPP Paper on the equity attributable to owners of the Company during the year is summarised as follows:

	2017 **$'000**
Carrying amount of non-controlling interests acquired	4,897
Consideration paid to non-controlling interests	(4,862)
Increase in equity attributable to owners of the Company	35

Deemed disposal of interest in a subsidiary corporation

On 17 November 2017, the Group through its subsidiary corporation, Taiga, completed an exchange offer (the "**Exchange Offer**"), to purchase any and all of its outstanding 14% unsecured subordinated notes (the "**Existing Notes**") in exchange for new 7% senior notes of Taiga due 5 years from the date of issuance, common shares of Taiga at a rate of 833.33 Common Share for each C$1,000 principal amount of Existing Notes, or any combination of the foregoing at the option of the holder. Following the completion of the Exchange Offer, the Group's equity interest in Taiga decreased from 58.34% to 49.0% as at 31 December 2017. The carrying amount of the non-controlling interests in Taiga on the date of disposal was a net assets of $933,000 (representing 41.66% interest). The net assets represents Taiga's financial position before the completion of the Exchange Offer (Note 19). This resulted in an increase in non-controlling interests of $64,199,000 and an increase in equity attributable to owners of the Company of $5,144,000. The effect of changes in the ownership interest in Taiga on the equity attributable to owners of the Company during the year is summarised as follows:

	2017 **$'000**
Carrying amount of interests in a subsidiary corporation disposed of	(64,199)
Deemed consideration received from non-controlling interests	69,343
Excess of deemed consideration received recognised in Company's equity	5,144

There were no transactions with the non-controlling interests for the financial year ended 31 December 2016.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

11 ASSETS HELD-FOR-SALE

	Leasehold Land and Building $'000	Plant and Machinery $'000	Furniture, Fixtures and Office Equipment $'000	Motor Vehicles $'000	Total $'000
Group					
2017					
Cost					
Beginning of financial year	11,355	42	9	62	11,468
Disposals	(810)	(42)	(9)	(62)	(923)
End of financial year	10,545	–	–	–	10,545
Accumulated depreciation					
Beginning of financial year	2,889	19	5	61	2,974
Disposals	(86)	(19)	(5)	(61)	(171)
End of financial year	2,803	–	–	–	2,803
Net book value					
End of financial year	7,742	–	–	–	7,742
Group					
2016					
Cost					
Beginning of financial year	10,545	–	–	–	10,545
Reclassified from property, plant and equipment (Note 8)	810	42	9	62	923
End of financial year	11,355	42	9	62	11,468
Accumulated depreciation					
Beginning of financial year	2,803	–	–	–	2,803
Reclassified from property, plant and equipment (Note 8)	86	19	5	61	171
End of financial year	2,889	19	5	61	2,974
Net book value					
End of financial year	8,466	23	4	1	8,494

11 ASSETS HELD-FOR-SALE (CONTINUED)

The details of the Group's assets held-for-sale are as follows:

Location	Descriptions	Tenure
35 Tuas View Crescent Singapore 637608	Office and factory(1)	Leasehold with 30 years lease expiring 1 December 2029 with an option for a further term of 30 years.
3, Persiaran Sungai Chua Pusat Perindustrian Sungai Chua 43000 Kajang, Selangor Malaysia	Office and factory(2)	Leasehold with 99 years commencing from 23 November 2007

(1) In year 2014, the Group committed to a plan to sell its office and factory located in Singapore. The Group appointed property agents to market with a view to sell the office and factory at Tuas View Crescent. As at balance sheet date, the Group remains committed to its plan to sell the office and factory and there are active programmes in place to locate a buyer.

(2) In November 2016, the Group entered into a sale and purchase agreement with a prospective buyer for the proposed sale of the office and factory located at Kajang for a proposed cash consideration of $1.9 million. The proposed disposal of the above asset was completed during the financial year and a gain on disposal of asset held-for-sale amounted to $1,161,000 was recognised in the consolidated statement of comprehensive income (Note 25).

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12 INTANGIBLE ASSETS

	Group 2017 $'000	Group 2016 $'000
Composition		
Goodwill (Note (a))	22,538	–
Customers relationship (Note (b))	20,306	–
Favourable lease terms (Note (c))	6,819	–
	49,663	–

(a) Goodwill

	Group 2017 $'000	Group 2016 $'000
Cost		
Beginning of financial year	–	–
Acquisition of subsidiary corporation (Note 36)	22,919	–
Currency translation differences	(381)	–
End of financial year	22,538	–
Accumulated impairment		
Beginning and end of financial year	–	–
Net book value	22,538	–

On 31 January 2017, the Company through its wholly-owned subsidiary corporation, UPP Investments Canada Limited acquired 58.34% interest in Taiga Building Products Ltd. ("**Taiga**"), a public company incorporated in Canada and listed on the Toronto Stock Exchange for a cash consideration of C$18,908,208. The purchase price allocation ("**PPA**") exercise in respect of the acquisition of Taiga has been carried out and finalised on 29 January 2018. A goodwill of $22,919,000 was recognised. The Group has not performed any impairment assessment on this acquisition as there is no internal and external triggering events that warrant an impairment assessment, as these business assets are generating revenue and profits. The annual impairment testing will be done 12 months from the date of the completion of the PPA exercise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12 INTANGIBLE ASSETS (CONTINUED)

(b) Customers relationship

	Group	
	2017	**2016**
	$'000	**$'000**
Cost		
Beginning of financial year	–	–
Acquisition of subsidiary corporation (Note 36)	23,760	–
Currency translation differences	(395)	–
End of financial year	23,365	–
Accumulated amortisation		
Beginning of financial year	–	–
Amortisation charge	3,048	–
Currency translation differences	11	–
End of financial year	3,059	–
Net book value	20,306	–

(c) Favourable lease terms

	Group	
	2017	**2016**
	$'000	**$'000**
Cost		
Beginning of financial year	–	–
Acquisition of subsidiary corporation (Note 36)	8,163	–
Currency translation differences	(136)	–
End of financial year	8,027	–
Accumulated amortisation		
Beginning of financial year	–	–
Amortisation charge	1,204	–
Currency translation differences	4	–
End of financial year	1,208	–
Net book value	6,819	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12 INTANGIBLE ASSETS (CONTINUED)

(d) Amortisation expense included in the statement of comprehensive income is analysed as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Cost of sales	–	–
Administrative expenses	4,252	–
Total (Note 26)	4,252	–

13 TRADE AND OTHER PAYABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables – non-related parties	46,288	3,706	–	–
Accrued operating expenses	37,191	1,684	1,547	833
Other payables – non-related parties	225	287	79	78
Provisions (Note 18)	475	–	–	–
	84,179	5,677	1,626	911

Trade and other payables denominated in foreign currency other than the functional currencies of the Group's entities at balance sheet date are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollar	3,119	617	142	172
Canadian Dollar	693	–	693	–

14 DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2017	**2016**
	$'000	**$'000**
Financial liabilities at fair value through profit or loss which are held for trading		
Lumber futures contract	38	–

The Group selectively utilise Chicago Mercantile Exchange Random Length lumber futures contracts. Each contract calls for mill delivery of 110,000 board feet (plus or minus 5,000 board feet) of random length 8-foot to 20-foot nominal 2-inch x 4-inch pieces. The contracts can be settled in cash or by delivery of a commodity.

15 REVOLVING CREDIT FACILITY

	Group	
	2017	**2016**
	$'000	**$'000**
Revolving credit facility	58,570	–
Financing costs, net of amortisation	(290)	–
	58,280	–

The Group's newly acquired subsidiary corporation, Taiga Building Products Ltd ("**Taiga**") has renewed its senior credit facility with a syndicate of lenders led by JPMorgan Chase Bank on 25 November 2013 (the "**Facility**"). The Facility was increased from C$200 million to C$225 million, with an option to increase the limit by up to C$50 million. 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 Taiga and certain of its subsidiary corporations, and will mature on 25 November 2018. Taiga's ability to borrow under the Facility is based upon a defined percentage of accounts receivables and inventories. The terms, conditions, and covenants of the Facility have been met as at 31 December 2017.

The carrying amounts of the revolving credit facility approximate their fair values as these liabilities bear interest at variable market rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

16a BANK BORROWINGS

	Group 2017 $'000	Group 2016 $'000
Current	34,086	–
Non-current	10,500	–
Total borrowings	44,586	–

The exposure of the bank borrowings of the Group to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	Group 2017 $'000	Group 2016 $'000
6 months or less	1,500	–
6 - 12 months	32,586	–
1 - 5 years	10,500	–
	44,586	–

Security granted

Total borrowings include secured liabilities of $1,086,000 (2016: $Nil) for the Group. These borrowings are secured by the real property of one of the Group's subsidiary corporations (Note 8).

Fair value of non-current borrowings

The carrying amounts of the bank borrowings approximate their fair values as these liabilities bear interest at variable financial market rates.

Loan covenants

Some of the Group's loan arrangements are subject to covenant clauses, whereby the Group is required to meet certain key financial ratios.

Bank borrowings denominated in foreign currency other than the functional currencies of the Group's entities at balance sheet date are as follows:

	Group 2017 $'000	Group 2016 $'000
United States Dollar	1,086	–

16b FINANCE LEASE LIABILITIES

The Group leases certain buildings and operating equipment from non-related parties under finance leases. Lease payments represent blended payments consisting of principal and interest based on interest rates ranging from 2.5% to 8.4% (2016: Nil).

	Group	
	2017	**2016**
	$'000	**$'000**
Minimum lease payments due over the lives of the finance leases:		
– Not later than one year	4,213	–
– Between one and five years	14,982	–
– Later than five years	18,242	–
	37,437	–
Less: Future finance charges	(11,113)	–
Present value of finance lease liabilities	26,324	–

The present values of finance lease liabilities are analysed as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Current		
– Not later than one year	2,490	–
Non-current		
– Between one and five years	9,683	–
– Later than five years	14,151	–
	23,834	–
Total	26,324	–

Interest expense related to finance lease liabilities for the year ended 31 December 2017 amounted to $1,688,000 (2016: $Nil).

The fair value of the finance lease liabilities amounted to $26,249,000 (2016: $Nil). This fair value was determined using current borrowing rates for similar debt instruments. The fair value is within Level 2 of the fair value hierarchy.

17 DEFERRED GAIN

The deferred gain relates to proceeds in excess of the net book value of certain buildings sold in the sale and leaseback transactions completed by Taiga prior to Group's acquisition on 31 January 2017. The deferred gain is amortised over the lease terms of the buildings, which are being accounted for as finance leases. Amortisation is included in other gains/(losses).

18 PROVISIONS

The following table summarise the movement in this provision:

	Lease $'000	Warranty $'000	Other $'000	Total $'000
Group				
2017				
Beginning of financial year	–	–	–	–
Acquisition of subsidiary corporation (Note 36)	996	535	604	2,135
Provision utilised	(124)	(143)	(563)	(830)
Amortisation of discount	46	–	–	46
Currency translation differences	(17)	(10)	(11)	(38)
End of financial year	901	382	30	1,313
Included in trade and other payables (Note 13)	(93)	(382)	–	(475)
Non-current provisions	808	–	30	838
Group				
2016				
Beginning and end of financial year	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

18 PROVISIONS (CONTINUED)

Lease Provision

During September 2009, Taiga consolidated its warehouse operations in the Greater Toronto Area by closing a warehouse in Brampton and migrating this operation into its warehouse in Milton. The Brampton warehouse was a leased property, and the land component was accounted for as an operating lease. Taiga recorded a provision relating to this property, being the present value of the unavoidable net costs of exiting the lease. The final transaction to exit the lease was completed on 31 May 2012; however, there is a requirement to make ongoing payments to the lessor relating to this transaction which is reflected in the provision. The present value was determined using a pre-tax discount rate of 5.14%

19 SUBORDINATED NOTES

On 31 January 2017, an aggregate of C$128,834,000 principal amount of 14% unsecured subordinated notes ("**Taiga Notes**") were acquired as part of a business combination. Fair value of the Taiga Notes as at date of acquisition was C$148,159,000, approximate to $160,456,000 (Note 36). Upon completion of the sale and purchase of Taiga's common shares, the Group acquired C$46,009,000 principal amount of Taiga Notes, fair value at C$52,910,000, approximate to $57,302,000, represents 35.71% of the total outstanding Taiga Notes.

On 17 November 2017, the Group through its subsidiary corporation, Taiga completed an exchange offer (the "**Exchange Offer**"), to purchase any and all of its outstanding 14% unsecured subordinated notes (the "**Existing Notes**") in exchange for new 7% senior notes of Taiga (the "**New Notes**") due 5 years from the date of issuance (the "**Note Option**"), common shares of Taiga ("**Common Shares**") at a rate of 833.33 Common Share for each C$1,000 principal amount of Existing Notes (the "**Share Option**"), or any combination of the Note Option and the Share Option as determined by the holders of the Existing Taiga Notes. As a result of the Exchange Offer, an aggregate of C$113,791,000 principal amount of Existing Notes was exchanged, 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 C$12,500,000 principal amount of New Notes and 84,408,831 Common Shares.

On 23 December 2017, all of the remaining 14% Existing Notes in the aggregate principal amount of C$15,043,000 was redeemed for a redemption price of 100% of the principal amount of the Existing Notes, plus accrued and unpaid interest.

Consequently, a gain on extinguishment of subordinated notes of $2,420,000 was recognised by the Group (Note 25).

The Group elected to exchange the Existing Notes owned for Common Shares and following the completion of the Exchange Offer, the Group received 38,339,847 Common Shares, which together with the currently held Taiga shares, represent 49.0% of the enlarged share capital of Taiga. Consequently, the Group's shareholdings in Taiga decreased from 58.34% to 49.0% (Note 10).

Per the Trust Indenture dated 17 November 2017 (the "**Indenture**"), the Group's New Notes are unsecured, bear interest at 7% per annum and mature on 17 November 2022. The New Notes are not listed on any stock exchange. Interest on the New Notes is payable on 17 May and 17 November 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 year ended 31 December 2017.

The fair value of the 7% senior notes is the same as their carrying value as the interest rate was determined by management to approximate the market rate.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

20 DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting and their movement during the financial year, are shown on the balance sheets as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Deferred income tax assets		
To be recovered after one year	(184)	–
Deferred income tax liabilities		
To be settled after one year	4,461	685
Net Deferred income tax liabilities		
To be settled after one year	4,277	685

Movement in net deferred income tax account is as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Beginning of financial year	685	685
Currency translation differences	(80)	–
Acquisition of subsidiary corporation (Note 36)	5,128	–
Tax charge to		
– Profit or loss (Note 29)	(872)	–
– Other comprehensive income	(584)	–
End of financial year	4,277	685

Deferred income tax assets are recognised for capital allowances and investment and reinvestment allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses, capital allowances and investment and reinvestment allowances of approximately $6,488,000 (2016: $5,153,000), $3,910,000 (2016: $3,811,000) and $Nil (2016: $760,000) respectively and the Company has unrecognised tax losses of approximately $243,000 (2016: $Nil) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses, capital allowances and investment and reinvestment allowances in their respective countries of incorporation. The tax losses, capital allowances and investment and reinvestment allowances have no expiry date.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

20 DEFERRED INCOME TAXES (CONTINUED)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Deferred income tax liabilities

	Deferred income from Partnership $'000	Accelerated tax depreciation $'000	Fair value gains-net $'000	Total $'000
Group				
2017				
Beginning of financial year	–	8,497	–	8,497
Currency translation differences	6	68	(126)	(52)
Acquisition of subsidiary corporation (Note 36)	–	7,373	7,435	14,808
Credited to				
– Profit or loss	1,797	24	(3,743)	(1,922)
– Other comprehensive income	–	(584)	–	(584)
End of financial year	1,803	15,378	3,566	20,747
Group				
2016				
Beginning of financial year	–	9,232	–	9,232
Currency translation differences	–	(181)	–	(181)
Credited to profit or loss	–	(554)	–	(554)
End of financial year	–	8,497	–	8,497

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

20 DEFERRED INCOME TAXES (CONTINUED)

Deferred income tax assets

	Finance lease liabilities $'000	Unabsorbed capital allowances $'000	Unutilised investment and reinvestment allowances $'000	Provisions and others $'000	Deferred gain on sale and leaseback $'000	Total $'000
Group						
2017						
Beginning of financial year	–	–	(7,679)	(133)	–	(7,812)
Currency translation differences	126	–	(189)	20	15	(28)
Acquisition of subsidiary corporation (Note 36)	(7,530)	–	–	(1,241)	(909)	(9,680)
Charged to profit or loss	378	–	186	417	69	1,050
End of financial year	(7,026)	–	(7,682)	(937)	(825)	(16,470)
Group						
2016						
Beginning of financial year	–	(1,197)	(7,023)	(327)	–	(8,547)
Currency translation differences	–	(53)	228	6	–	181
Charged/(credited) to profit or loss	–	1,250	(884)	188	–	554
End of financial year	–	–	(7,679)	(133)	–	(7,812)

21 SHARE CAPITAL

	Group and Company			
	No. of shares 2017 '000	Amount 2017 $'000	No. of shares 2016 '000	Amount 2016 $'000
Issued and fully paid ordinary shares				
Beginning of financial year	836,667	140,578	836,667	140,578
Shares placement	40,000	10,000	–	–
Share issue expenses	–	(59)	–	–
End of financial year	876,667	150,519	836,667	140,578

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividend as and when declared by the Company.

On 27 March 2017, the Company issued 40,000,000 ordinary shares for a total consideration of $10,000,000 for cash by way of private placement to reduce its bank borrowings. The newly issued shares rank *pari passu* in all respects with the previously issued shares.

Share options

The UPP Employee Share Option Scheme (the "**Option Scheme**") for any director (including a Non-Executive Director) or confirmed employee of the Group selected by the Committee (the "**Participant**") was approved by members of the Company at an Extraordinary General Meeting on 21 April 2011.

The purpose of the Option Scheme is to provide an opportunity for employees of the Group who have contributed significantly to the growth and performance of the Group, as well as directors, to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to past contributions and services. Additionally, the Option Scheme will help the Group to attract and retain the services of appropriate, qualified and experienced employees who would be able to contribute to the Group's business and operations.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

21 SHARE CAPITAL (CONTINUED)

Under the Option Scheme, subject to the absolute discretion of the Committee, options to subscribe for the ordinary shares of the Company are granted to Participants who have attained the age of 21 years on or prior to the relevant Date of Grant, are not undischarged bankrupts, have not entered into a composition with their respective creditors, and, where applicable, who have, as of the Date of Grant, been in the employment of the Group for a period of at least 12 months, or such shorter period as the Committee may determine, and Non-Executive Directors who, in the opinion of the Committee, have contributed or will contribute to the success of the Group. The exercise price of the options is determined at the Market Price as quoted on the Singapore Exchange, or at a price which is set at a discount to the Market Price, the quantum of such discount to be determined by the Committee in its absolute discretion, provided that the maximum discount which may be given in respect of any Option shall not exceed 20% of the Market Price. Once the options are granted, they are exercisable within five years from the Date of Grant of the options. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the Option Scheme, shall not exceed 15% of the issued share capital of the Company on the day preceding that date.

There were no options granted during the financial year to subscribe for unissued shares of the Company.

22 OTHER RESERVES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Capital reserve	5,891	712	74	74
Currency translation reserve	(21,093)	(18,298)	–	–
Fair value reserve	446	637	–	–
	(14,756)	(16,949)	74	74

22 OTHER RESERVES (CONTINUED)

The currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

The fair value reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial asset until they are disposed of or impaired.

Included in capital reserve of the Group is an amount of $638,000 (2016: $638,000) which relates to contribution by a non-controlling interest in excess of its shareholding.

Other reserves are non-distributable.

23 DIVIDENDS

	Group	
	2017	**2016**
	$'000	**$'000**
Ordinary dividends		
Final dividend paid in respect of the previous financial year of 0.5 cents (2016: 1.0 cents) per share	4,383	8,367
Interim dividend paid in respect of the current financial year of 0.5 cents (2016: 0.5 cents) per share	4,383	4,183
	8,766	12,550

At the forthcoming Annual General Meeting on 27 April 2018, a final dividend of 0.5 cents per share amounting to a total of $4,383,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

24 REVENUE

	Group	
	2017	2016
	$'000	$'000
Sale of goods		
– Paper products	54,257	50,048
– Building products	1,389,174	–
Operating and maintenance income	5,840	6,925
Finance income	5,892	6,374
	1,455,163	63,347

25 OTHER GAINS AND LOSSES

	Group	
	2017	2016
	$'000	$'000
(Loss)/gain on disposal of property, plant and equipment	(61)	52
Reversal of impairment of trade receivables – net (Note 34(i))	143	67
Bad debts (written off)/recovered	(783)	15
Interest income	141	480
Dividend income from quoted equity security	194	115
Currency exchange (loss)/gain – net	(3,946)	1,145
Amortisation of deferred gain	374	–
Gain on extinguishment of subordinated notes (Note 19)	2,420	–
Gain on disposal of asset held-for-sale	1,161	–
Others	437	227
	80	2,101

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

26 EXPENSES BY NATURE

	Group	
	2017	2016
	$'000	$'000
Fees on audit services paid/payable to:		
– Auditor of the Company	80	63
– Other auditors	333	24
Fees on non-audit services paid/payable to:		
– Auditor of the Company	9	8
– Other auditors	119	11
Purchase of inventories	163,102	24,852
Depreciation of property, plant and equipment (Note 8)	6,963	2,550
Amortisation of intangible assets (Note 12(d))	4,252	–
Directors' fees	628	216
Employee compensation (Note 27)	61,707	5,377
General office expenses	9,342	963
General and professional fees	2,653	103
Manufacturing overhead	2,065	2,336
Product and treating costs	1,232,657	–
Freight/transportation expenses	32,899	1,373
Utilities	8,895	7,971
Inventories write down (Note 7)	1,170	–
Warehouse costs	13,257	–
Operating and maintenance fees	3,620	3,853
Other expenses	3,611	2,444
Changes in inventories	(132,889)	156
Total cost of sales, distribution and selling and administrative expenses	1,414,473	52,300

27 EMPLOYEE COMPENSATION

	Group 2017 $'000	Group 2016 $'000
Salaries, bonuses and wages	61,195	4,875
Employer's contribution to defined contribution plans	286	288
Other short-term benefits	226	214
	61,707	5,377

28 FINANCE EXPENSES

	Group 2017 $'000	Group 2016 $'000
Interest expense		
– Revolving credit facility and other short term liabilities	3,856	–
– Finance lease liabilities and bank borrowings	1,963	–
– Subordinated notes	9,509	–
– Amortisation of financing costs	291	–
– Bank overdraft	3	4
	15,622	4

29 INCOME TAX EXPENSE

	Group 2017 $'000	Group 2016 $'000
Tax expense attributable to profit is made up of:		
Profit for the financial year		
Current income tax		
– Singapore	13	–
– Foreign	5,405	16
	5,418	16
Deferred income tax (Note 20)	(872)	–
	4,546	16
Under provision in prior financial years		
Current income tax	238	–
	4,784	16

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

29 INCOME TAX EXPENSE (CONTINUED)

A reconciliation between the income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 is as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Profit before income tax	25,148	13,144
Tax at the domestic rates applicable to profit in the countries where the Group operates	2,760	3,413
Effects of:		
– Expenses not deductible for tax purposes	8,301	670
– Income not subject to tax	(4,973)	(2,064)
– Underprovision of tax in prior financial years	238	–
– Effect of change in tax rate	(54)	–
– Utilisation of previously unrecognised deferred tax assets	(225)	(1,803)
– Effect of partial tax exemption and tax relief	(1,177)	(182)
– Others	(86)	(18)
	4,784	16

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

According to Section 27(a) of Myanmar Foreign Investment Law, UPP Power (Myanmar) Limited has been granted an exemption from income tax for five consecutive years starting from 11th February 2014 to 10th February 2019 by Myanmar Investment Commission. Hence, there is no tax charge for the financial years under audit.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2017	**2016**
	$'000	**$'000**
Net profit attributable to equity holders of the Company ($'000)	16,340	12,563
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	867,352	836,667
Basic and diluted earnings per share (cents per share)	1.88	1.50

31 RELATED PARTY TRANSACTIONS

(a) No transaction took place between the Group and related parties other than those disclosed elsewhere in the financial statements. Outstanding balances at 31 December 2016 and 31 December 2017 are unsecured and receivable within 12 months from balance sheet date and are disclosed in Note 5 to the financial statements.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Salaries and bonuses	6,740	1,823
Employer's contribution to defined contribution plans	104	85
Other short-term benefits	38	35
	6,882	1,943
Comprise amounts paid to:		
Directors of the Company	2,050	1,678
Directors of the subsidiary corporations	717	–
Other key management personnel	4,115	265
	6,882	1,943

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

32 COMMITMENTS

Operating lease commitments – where the Group is a lessee

The Group leases land, premises and warehouse equipment from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Sale and leaseback $'000	Others $'000	Total $'000
Group			
2017			
Not later than one year	1,909	2,317	4,226
Between one and five years	7,516	5,584	13,100
Later than five years	6,252	4,093	10,345
	15,677	11,994	27,671

	Sale and leaseback $'000	Others $'000	Total $'000
Group			
2016			
Not later than one year	–	491	491
Between one and five years	–	1,633	1,633
Later than five years	–	4,064	4,064
	–	6,188	6,188

The certain sales and leaseback operating leases completed in 2014 and expire in February 2034. Rental rates are subject to adjustments every five years based on consumer price index. For each property, the Group has two options to renew for five years each.

The other sales and leaseback operating leases completed in 2006 and expire in February 2021 or February 2026 depending on the property. Rental rates are subject to adjustments every five years based on consumer price index. For each property, the Group has three options to renew for five years each.

Total operating lease payments recognised as an expense during the year was $3,989,000 (2016: $519,000).

33 CONTINGENT LIABILITIES

Financial support

The Company has given letters of financial support to certain subsidiary corporations in the Group with net current liability position at the balance sheet date to enable these subsidiary corporations to operate as going concern and to meet their liabilities as and when they fall due.

Other Outstanding Legal Matters

Certain subsidiary corporations in the Group are involved in various non-material legal actions and claims arising in the course of its business. The financial impact individually or in aggregate resulting from these actions and claims is not expected to be significant. The individual and aggregate outcomes cannot be determined at this time.

Canada Revenue Agency ("CRA") Reassessment

Subsidiary corporation of the Group, Taiga Building Products Ltd. ("**Taiga**") received a notice of reassessment from the Canada Revenue Agency in the amount of approximately C$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 Taiga's two largest shareholders in connection with and subsequent to Taiga's corporate reorganisation in 2005 involving a swap of then outstanding common shares for stapled units. Taiga paid the full amount of the reassessment on 31 January 2017 using proceeds provided by its two former major shareholders. Taiga and the two former major shareholders had previously entered into agreements whereby the shareholders agreed to fully indemnify Taiga 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. Taiga 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.

34 FINANCIAL RISK MANAGEMENT

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk, capital risk and market price risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's performance. It is, and has been throughout the current and previous financial year, the Group's and the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Group and the Company do not apply hedge accounting.

The board of directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

(i) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits, trade and other receivables and service concession receivables.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the result that the Group's and the Company's exposure to bad debts is not significant. However, risk exists that some customers may not able to meet their obligations and the loss of a large receivables could have a significant impact on Group's profitability.

For other financial assets (including investment securities, cash and short-term deposits and derivatives), the Group and the Company minimise credit risk by dealing only with high credit quality counterparties. The Group is also exposed to credit risk from the potential default by any of its counterparties on the interest swap and lumber futures contracts. The Group evaluates potential counterparties in advance of entering into such agreements and deals only with parties it anticipates will satisfy their obligations under the contracts.

As the Group and the Company do not hold collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The trade receivables of the Group comprise 13 debtors that individually represented 3% to 5% of trade receivables of the Group in prior financial year. The trade receivables of the Company comprise one debtor (2016: one debtor) that represented 75% (2016: 37%) of trade receivables of the Company.

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
By geographical areas				
Singapore	176	113	176	113
Malaysia	13,295	11,678	–	–
Canada	87,588	–	–	–
United States	25,387	–	–	–
Other countries	507	420	–	–
	126,953	12,211	176	113

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (Continued)

Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit ratings and no history of default. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and the Company.

Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Past due < 1 month	2,524	2,274	–	–
Past due 1 to 3 months	2,092	807	–	–
Past due over 3 months	824	273	–	–
	5,440	3,354	–	–

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	
	2017	2016
	$'000	$'000
Gross amount	870	230
Less: Allowance for impairment	(870)	(230)
	–	–

	Group	
	2017	2016
	$'000	$'000
Beginning of financial year	230	1,035
Currency translation differences	6	(19)
Allowance made	777	–
Allowance reversed (Note 25)	(143)	(67)
Allowance utilised	–	(719)
End of financial year (Note 5)	870	230

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (Continued)

Financial assets that are past due and/or impaired (Continued)

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and Company's ability to make scheduled payments or refinance its obligations depends on the Group's successful financial and operating performance, cash flows and capital resources, which in turn depend upon prevailing economic conditions and certain financial, business and other factors.

The Group's and the Company's ability to maintain compliance with certain of its debt covenants under the banking facilities depends on meeting the required interest coverage ratio, which is subject to the Group's future financial and operating performance. The Group's and the Company's ability to repay or refinance its indebtedness will also depend on its future financial and operating performance. The Group's performance, in turn, will be subject to prevailing economic and competitive conditions, as well as financial, business, legislative, regulatory, industry and other factors, many of which are beyond our control. The Group's and the Company's ability to meet its debt service and other obligations may depend in significant part on the extent to which the Group can implement successfully its business growth and cost reduction strategies. The Group and the Company cannot provide any assurance that it will be able to implement its strategy fully or that the anticipated results of its strategy will be realised.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Group manages its liquidity risk by maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of stand-by credit facilities from banks. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and short-term deposits as disclosed in Note 4 and Note 15 to the financial statements.

The Group monitors working capital projections regularly, taking into account the available banking and other borrowing facilities to ensure that the Group has adequate working capital to meet current requirements.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Liquidity risk (Continued)

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year $'000	Between 1 to 5 years $'000	Over 5 years $'000
Group			
At 31 December 2017			
Trade and other payables	84,179	–	–
Revolving credit facility	58,280	–	–
Bank borrowings	34,643	11,008	–
Finance lease liabilities	4,214	14,981	18,242
Subordinated notes	932	17,040	–
	182,248	43,029	18,242
At 31 December 2016			
Trade and other payables	5,677	–	–
Company			
At 31 December 2017			
Trade and other payables	1,626	–	–
At 31 December 2016			
Trade and other payables	911	–	–

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Liquidity risk (Continued)

The table below analyses the Group's trading portfolio derivatives financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the expected settlement date. The amounts disclosed in the table are the net fair values, as the amounts at which an orderly settlement of the transactions would take place between market participants at the balance sheet date.

Group	Less than 1 year $'000	Between 1 to 5 years $'000	Over 5 years $'000
At 31 December 2017			
Held for trading			
– Net-settled Lumber futures	38	–	–
	38	–	–
At 31 December 2016			
Held for trading			
– Net-settled Lumber futures	–	–	–

(iii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates.

The Group utilise significant leverage to finance day-to-day operations and for acquisition purposes. The interest costs of the Group's revolving credit facility and other bank borrowings are predominately based on the prime rate. The Group monitors current interest rates and selectively utilises interest rate swap agreements to manages these cash flow interest rate risk.

At the end of the reporting period, if interest rates had been 100 (2016: Nil) basis points higher/lower with all other variables including tax rate being held constant, based on the Group's average borrowing level, the profit after tax would have been lower/higher by $795,000 (2016: $Nil) as a results of higher/lower interest expense on these borrowings.

(iv) Currency risk

The Group operates in North America and Asia with dominant operations in Canada, Singapore, Malaysia and Myanmar. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies").

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Currency risk (Continued)

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the Canadian Dollar ("**CAD**"), United States Dollar ("**USD**"), Singapore Dollar ("**SGD**") and Malaysian Ringgit ("**MYR**").

The Group's and the Company's currency exposure based on the information provided to key management is as disclosed in Notes 4, 5, 13 and 16 to the financial statements. As at 31 December 2017 and 2016, the Group and the Company are not significantly exposed to SGD and MYR.

In addition, the Group is exposed to currency translation risk on the net assets in foreign operations. Currency exposure to the net assets of the Group's foreign operations in Canada, Malaysia and Myanmar are managed primarily through borrowings denominated in the relevant foreign currencies. There is no formal hedging policy with respect to foreign currency exposures. Exposures to currency risk are monitored on an ongoing basis and the Group endeavors to keep the net exposure at an acceptable level.

If the USD and CAD change against the SGD by 5% (2016: 5%) and 1% (2016: Nil) respectively with all other variables including tax rate being held constant, the effects arising from the net financial asset/liability that are exposed to currency risk will be as follows:

	Increase/(Decrease) Profit after tax	
	2017	**2016**
	$'000	**$'000**
Group		
USD against SGD		
– Strengthened	–	2,773
– Weakened	–	(2,773)
CAD against SGD		
– Strengthened	3,245	–
– Weakened	(3,245)	–
Company		
USD against SGD		
– Strengthened	1,104	4,305
– Weakened	(1,104)	(4,305)
CAD against SGD		
– Strengthened	3,245	–
– Weakened	(3,245)	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to operate and grow its business, to provide a sufficient return to its shareholders, and to meet internal capital expenditure requirements and credit facility covenants. The revolving credit facilities and share capital are considered as the Group's capital.

In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

Management monitors capital based on a gearing ratio. The Group is also required by the banks to maintain a gearing ratio of not exceeding 2.0 times. The Group's policy is to keep the gearing ratio below 2.0 times.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as bank borrowings plus finance lease liabilities, subordinated notes and revolving credit facility less cash and cash equivalents. Total capital is calculated as total equity less intangible assets.

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Net debt	103,802	–	–	–
Total capital	215,512	183,742	152,647	142,588
Gearing ratio (times)	0.48	–	–	–

The Group and the Company are in compliance with all externally imposed capital requirements for the financial year ended 2017. There was no external capital requirement imposed on the Group and the Company for the financial year ended 2016.

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

(vi) Price risk

(a) Equity price risk

The Group is exposed to equity security price risk arising from the investments held by the Group which are classified on the consolidated balance sheet as available-for-sale. This security is listed in Malaysia.

If prices for equity security listed in Malaysia had changed by 4% (2016: 4%) with all other variable including tax rate being held constant, the effects on other comprehensive income would have been:

	Increase/(Decrease) Other comprehensive income	
	2017	**2016**
	$'000	**$'000**
Group		
Listed in Malaysia		
– increased by	131	133
– decreased by	(131)	(133)

(b) Commodity price risk

The Group does not generally hedge its commodity price risk through the purchase of lumber futures contracts. Substantially all purchases are made based on current orders and anticipated sales, and most sales are made from inventory or against product on order. Inventory levels are monitored in an attempt to achieve balance between maximum inventory turnover and anticipated customer demand. Although the Group strives to reduce the risk associated with price changes by maximizing inventory turnover, the Group maintains significant quantities of inventory, which is affected by fluctuating prices.

The Group selectively utilises Chicago Mercantile Exchange Random Length lumber futures contracts. Each contract calls for mill delivery of 110,000 board feet (plus or minus 5,000 board feet) or random length 8-foot to 20-foot nominal 2-inch x 4-inch pieces. The contracts can be settled in cash or by delivery of a commodity. These positions are immaterial relative to the Group's consolidated inventories.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

(vii) Fair value measurements

The table below presents assets and liabilities measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observables market data (unobservable inputs) (Level 3).

	Level 1 $'000	Level 2 $'000
Group		
2017		
Assets		
Available-for-sale financial asset	3,267	–
Liabilities		
Derivative financial instruments	–	(38)
2016		
Assets		
Available-for-sale financial asset	3,458	–
Liabilities		
Derivative financial instruments	–	–

There were no transfers between Levels 1 and 2 during the year.

The fair value of financial instruments traded in active markets (available-for-sale equity security) is based on quoted market prices at the balance sheet date. The quoted market price used for financial asset held by the Group is the current bid price. This instrument is included in Level 1.

The fair value of lumber futures contract is determined using market observable inputs at the balance sheet date. Derivative financial instruments are classified as Level 2.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

(vii) Fair value measurements (Continued)

The carrying amount less impairment allowance of trade receivables and trade payables are assumed to approximate their fair values due to the short term to maturity of these instruments. The fair value of financial liabilities for disclosure purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amounts of the revolving credit facility and long-term borrowings approximate their fair values as these liabilities bear interest at variable market rates.

(viii) Financial instruments by category

The carrying amount of the different categorises of financial instruments is as disclosed on the face of the balance sheet and in Notes 9 and 14 to the financial statements, except for the following:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Loans and receivables	211,538	125,510	133,708	127,706
Financial liabilities at amortised cost	226,682	5,677	1,626	911

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ix) Offsetting financial assets and financial liabilities

(i) Financial assets

The Company has the following financial instruments subject to enforceable master netting arrangements as follows:

	Related amounts set off in the balance sheet		
	Gross amounts – financial assets (a) $'000	**Gross amounts – financial liabilities (b) $'000**	**Net amounts – financial assets presented in the balance sheet (c)=(a)-(b) $'000**
At 31 December 2017			
Due from subsidiary corporations	45,879	(30,182)	15,697
Total	45,879	(30,182)	15,697
At 31 December 2016			
Due from subsidiary corporations	71,784	(22,837)	48,947
Total	71,784	(22,837)	48,947

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ix) Offsetting financial assets and financial liabilities (Continued)

(ii) Financial liabilities

The Company has the following financial instruments subject to enforceable master netting arrangements as follows:

	Related amounts set off in the balance sheet		
	Gross amounts – financial liabilities (a) $'000	Gross amounts – financial assets (b) $'000	Net amounts – financial liabilities presented in the balance sheet (c)=(a)-(b) $'000
At 31 December 2017			
Due to subsidiary corporations	30,182	(30,182)	–
Total	30,182	(30,182)	–
At 31 December 2016			
Due to subsidiary corporations	22,837	(22,837)	–
Total	22,837	(22,837)	–

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Company and their respective counterparties allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

35 SEGMENT INFORMATION

The Group's chief operating decision-maker ("**CODM**") comprises of the Chief Executive Officer, the Chief Operating Officer, President, Investments and the heads of each business within each primary geographic segment. Management has determined the operating segments based on the reports reviewed by the CODM that are used to make strategic decisions, allocated resources, and assess performance.

The CODM considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in the four primary geographic areas, namely, Singapore, Canada, Myanmar and Malaysia. From a business segment perspective, the Group is organised into business units based on their products and services, and has four reportable operating segments.

(1) The paper mill division manufactures and sells industrial grade paper products, collect and trades in waste paper products.

(2) Power division operates a 50 MW gas-fired generating plant in Ywama, Myanmar.

(3) Wholesale distribution of building products in Canada, United States and overseas.

(4) Others which included investment/corporate segment focus on identifying new investment opportunities locally and overseas that has the potential to increase revenue streams and produce good returns on investments.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

The CODM monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Group income taxes are managed on a group basis and are not allocated to operating segments.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

35 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the CODM for the reportable segments are as follows:

	Malaysia Paper Mill		Myanmar Power Plant		Canada Building Products		Others		Total		Adjustments and elimination		Note	Per consolidated financial statements	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016		2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Revenue:															
External customers	54,257	50,048	11,732	13,299	1,389,174	–	–	–	1,455,163	63,347	–	–		1,455,163	63,347
Results:															
Finance expenses	(4)	(4)	–	–	(15,045)	–	(573)	–	(15,622)	(4)	–	–		(15,622)	(4)
Interest income	120	96	–	–	–	–	21	384	141	480	–	–		141	480
Depreciation	(2,370)	(2,443)	(5)	(3)	(4,502)	–	(86)	(104)	(6,963)	(2,550)	–	–		(6,963)	(2,550)
Amortisation of intangible assets	–	–	–	–	(4,252)	–	–	–	(4,252)	–	–	–		(4,252)	–
Segment profit/(loss) before taxation	8,338	7,880	6,887	8,141	18,497	–	(8,574)	(2,877)	25,148	13,144	–	–		25,148	13,144
Assets:															
Additions to:–															
– Property, plant and equipment	1,053	1,106	–	53	51,320	–	12	12	52,385	1,171	–	–		52,385	1,171
– Intangible assets	–	–	–	–	54,842	–	–	–	54,842	–	–	–		54,842	–
Segment assets	75,349	71,101	44,842	55,588	342,236	–	42,535	63,415	504,962	190,104	184	–	A	505,146	190,104
Segment liabilities	3,028	3,408	881	1,061	181,504	–	45,448	1,208	230,861	5,677	9,110	685	B	239,971	6,362

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

35 SEGMENT INFORMATION (CONTINUED)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

A The following items are added to segment assets to arrive at total assets reported in the consolidated balance sheet.

	Group	
	2017	**2016**
	$'000	**$'000**
Deferred income tax assets	184	–

B The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet.

	Group	
	2017	**2016**
	$'000	**$'000**
Income tax payables	4,649	–
Deferred income tax liabilities	4,461	685
	9,110	685

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Canada	1,218,840	–	82,067	–
United States	170,334	–	12,735	–
Malaysia	48,576	45,740	46,840	47,025
Singapore	1,604	661	8	77
Myanmar	11,732	13,299	82	93
Sri Lanka	1,347	1,670	–	–
Australia	1,299	934	–	–
Others	1,431	1,043	–	–
	1,455,163	63,347	141,732	47,195

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

35 SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

Non-current assets information presented above consist of property, plant and equipment and intangible assets presented in the consolidated balance sheet.

Revenues of $13,299,000 are derived from a single external customer in prior financial year. These revenues are attributable to the Myanmar power plant segment.

36 BUSINESS COMBINATIONS

On 31 January 2017, the Company through its wholly-owned subsidiary corporation, UPP Investments Canada Limited ("**UPP Canada**") acquired 58.34% equity interest in Taiga Building Products Ltd. ("**Taiga**"), a public company incorporated in Canada and listed on the Toronto Stock Exchange. Taiga is an independent wholesale distributor of building materials in Canada. As a result of the acquisition, Taiga became a subsidiary corporation of the Group.

The acquisition is beneficial to the Group as this is earning accretive and would enable the Group to undertake a separate line of business as well as expand its geographical presence beyond Southeast Asia.

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of Taiga's net identifiable liabilities.

Details of the consideration paid, the assets acquired and liabilities assumed, the non-controlling interest recognised and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(a) Purchase consideration

	$'000
Cash paid and consideration transferred for the business	20,477

(b) Effect on cash flows of the Group

	$'000
Cash paid (as above)	20,477
Less: Revolving credit facility which form part of cash and cash equivalents in subsidiary corporation acquired	(66,707)
Net cash outflow on acquisition	87,184

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

36 BUSINESS COMBINATIONS (CONTINUED)

(c) Identified assets acquired and liabilities assumed

	At fair value $'000
Property, plant and equipment (Note 8)	47,877
Trade and other receivables (Note (e) below)	109,592
Inventories	149,887
Intangible assets (Note 12(b) and Note 12(c))	31,923
	339,279
Trade and other payables	(70,237)
Provisions (Note 18)	(2,135)
Deferred gain	(3,740)
Revolving credit facility	(66,707)
Bank borrowings	(1,397)
Finance lease liabilities	(28,015)
Subordinate notes (Note 19)	(160,456)
Income taxes payables	(5,651)
Deferred tax liabilities (Note 20)	(5,128)
	(343,466)
Total identifiable net liabilities	(4,187)
Less: Non-controlling interest	1,745
Add: Goodwill (Note 12(a))	22,919
Consideration transferred for the business	20,477

(d) Acquisition-related costs

Acquisition-related costs of $205,000 and $137,000 are included in "administrative expenses" in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows for the financial year ended 31 December 2017 and 31 December 2016 respectively.

(e) Acquired receivables

The fair value of trade and other receivables is $109,592,000 and includes trade receivables with a fair value of $106,713,000. The gross contractual amount for trade receivables due is $106,923,000, of which $210,000 is expected to be uncollectible.

36 BUSINESS COMBINATIONS (CONTINUED)

(f) Goodwill arising from acquisition

The residual goodwill of $22,919,000 represents the strategic rational of the Group's acquisition of Taiga, enabling the Group to undertake a separate line of business as well as expanding its geographical presence beyond Southeast Asia.

(g) Revenue and profit contribution

The acquired business contributed revenue of $1,389,174,000 and net profit of $14,742,000 to the Group from the period from 31 January 2017 to 31 December 2017. Had Taiga been consolidated from 1 January 2017, consolidated revenue and consolidated profit for the year ended 31 December 2017 would have been $1,477,830 and $13,804,000 respectively.

37 COMPARATIVE INFORMATION

Following the completion of acquisition of Taiga, the Group modified the expenses grouping from "Selling and distribution" and "Administrative" to "Distribution" and "Selling and administrative" to better reflect the Group's operations. Comparative amounts in the statement of comprehensive income were reclassified for consistency. Since the amounts are reclassified within the statement of comprehensive income, these reclassifications will not have effect on the balance sheet and statement of cash flows.

38 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2018 and which the Group has not early adopted:

Effective for annual periods beginning on or after 1 January 2018

- Amendments to FRS 40 Transfers of Investment Property
- Amendments to FRS 102 Classification and Measurement of Share-based Payment Transactions
- Amendments to FRS 115 Clarifications to FRS 115 Revenue from Contracts with Customers
- INT FRS 122 Foreign Currency Transactions and Advance Consideration
- Amendments to FRS 28 Investments in Associates and Joint Ventures
- Amendments to FRS 101 First-Time Adoption of Financial Reporting Standards

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

38 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

Effective for annual periods beginning on or after 1 January 2018 (Continued)

- FRS 109 *Financial Instruments*

  The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income ("**OCI**") and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. Gains and losses realised on the sale of financial assets at OCI are not transferred to profit or loss on sale but reclassified from the OCI reserve to retained profits.

  The financial asset held by the Group includes equity instruments currently classified as AFS for which fair value through OCI election is available.

  Accordingly, the Group does not expect the adoption of this standard will have a material impact on the Group's financial statements.

- FRS 115 *Revenue from Contracts with Customers*

  This is the converged standard on revenue recognition. It replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the goods or services. The core principle of FRS 115 is that an entity recognises 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 or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

  - Step 1: Identify the contract(s) with a customer
  - Step 2: Identify the performance obligations in the contract
  - Step 3: Determine the transaction price
  - Step 4: Allocate the transaction price to the performance obligations in the contract
  - Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

  FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

  The Group does not expect the adoption of this standard will have a material impact on the Group's financial statements. However, the Group will continue to assess the extent of the impact as the mandatory adoption date approaches.

38 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

Effective for annual periods beginning on or after 1 January 2019

- Amendments to FRS 28 Long-term Interests in Associates and Joint Venture
- Amendments to FRS 109 Prepayment Features with Negative Compensation
- INT FRS 123 Uncertainty over income tax treatments
- Amendments to FRS 103 Business Combinations
- Amendments to FRS 111 Joint Arrangements
- Amendments to FRS 12 Income Taxes
- Amendments to FRS 23 Borrowings Costs

- FRS 116 Leases

  FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

  The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $27,671,000 (Note 32). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's results and classification of cash flows.

Effective date: to be determined

- Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39 ADOPTION OF SFRS(I)

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). The new framework is referred to as 'Singapore IFRS-identical Financial Reporting Standards' ("**SFRS(I)**") hereinafter.

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018 and will be issuing its first set of financial information prepared under SFRS(I) for the quarter ended 31 March 2018 in May 2018.

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) equivalent of IFRS 1 First-time Adoption of IFRS. The Group will also concurrently apply new major SFRS(I) equivalents of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

The management does not expect significant adjustments to the Group's financial statements arising from the adoption of SFRS(I) on the Group's financial statements.

40 AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of UPP Holdings Limited on 19 March 2018.

ADDITIONAL
SGX DISCLOSURES IN THE ANNUAL REPORT

MATERIAL CONTRACTS

Since the end of the financial year ended 31 December 2017, the Company and its subsidiary corporations did not enter into any material contracts involving interests of the Chief Executive Officer, Directors or controlling shareholders and no such material contract still subsist at the end of the financial year, save for Interested Person Transactions disclosed on page 39 of this Annual Report.

LIST OF MAJOR PROPERTIES

The following properties are owned/leased by the Group:

Location	Description	Land area (sq.m)	Tenure
UPP Industries Pte. Ltd.			
35 Tuas View Crescent Singapore 637608	Office and factory	15,999	30 years commencing from 1 December 1999 (with an option to extend for an additional 30 years)
UPP Pulp & Paper (M) Sdn. Bhd.			
Lots 225-227 & Lots 240-242 Jalan Kuala Selangor, 45620 Ijok Batang Berjuntai, Selangor Malaysia	Office and factory	121,657	Freehold
Lot 538, Mukim of Ijok Kuala Selangor, Selangor Malaysia	Land	6,891	99 years commencing from 17 May 1984
Lot 2772, Mukim of Ijok Kuala Selangor, Selangor Malaysia	Land	3,518	99 years commencing from 13 May 1992
Taiga Building Products Ltd.			
4385 Pacific Street Rocklin, CA 95677 California, Western USA	Distribution Centre	55,037	Freehold
1980 Industrial Way Sanger, California Western USA	Distribution Centre	50,990	Freehold

SHAREHOLDING **STATISTICS**

AS AT 19 MARCH 2018

ISSUED AND FULLY PAID UP CAPITAL	:	S$150,518,930
NO. OF SHARES ISSUED	:	876,667,121
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	1 VOTE PER SHARE

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	113	3.14	1,662	0.00
100 – 1,000	321	8.93	301,802	0.03
1,001 – 10,000	1,422	39.56	8,200,394	0.94
10,001 – 1,000,000	1,707	47.48	129,278,413	14.75
1,000,001 and above	32	0.89	738,884,850	84.28
Total	**3,595**	**100.00**	**876,667,121**	**100.00**

TOP 20 SHAREHOLDERS

S/No.	Name	Number of Shares Held	%
1	CGS-CIMB SECURITIES (S) PTE LTD	220,882,820	25.20
2	LIM ENG HOCK	183,246,925	20.90
3	CITIBANK NOMINEES SINGAPORE PTE LTD	108,844,012	12.42
4	RAFFLES NOMINEES (PTE) LTD	38,179,700	4.36
5	UOB KAY HIAN PTE LTD	29,358,500	3.35
6	OCBC SECURITIES PRIVATE LTD	21,859,590	2.49
7	DBS VICKERS SECURITIES (S) PTE LTD	18,794,600	2.14
8	DBS NOMINEES PTE LTD	17,910,163	2.04
9	RHB SECURITIES SINGAPORE PTE LTD	17,472,200	1.99
10	MAYBANK KIM ENG SECURITIES PTE LTD	17,247,578	1.97
11	UNITED OVERSEAS BANK NOMINEES PTE LTD	11,430,173	1.30
12	LIM JUEXIN LEONARD	6,466,000	0.74
13	KHOO POH KOON	5,748,001	0.66
14	PHILLIP SECURITIES PTE LTD	5,097,029	0.58
15	OCBC NOMINEES SINGAPORE PTE LTD	3,876,960	0.44
16	HSBC (SINGAPORE) NOMINEES PTE LTD	3,857,000	0.44
17	CHIEW POH CHENG	3,080,000	0.35
18	WONG SUEI HORNG	3,000,000	0.34
19	DIANA SNG SIEW KHIM	2,547,000	0.29
20	SAI YEE @ SIA SAY YEE	2,383,000	0.27
	Total	**721,281,251**	**82.27**

Source: The Central Depository (Pte) Limited

Substantial Shareholders	Number of Shares (Direct Interest)	Number of Shares (Deemed Interest)
Lim Eng Hock	183,246,925	–
Tong Kooi Ong	–	221,925.000(1)

Note:

(1) Shares held in the name of the registered holder, Phileo Capital Limited.

Approximately 49.15% of the issued Ordinary Shares are held in the hands of the public. Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has accordingly been complied with.

WARRANTHOLDINGS
STATISTICS
AS AT 19 MARCH 2018

WARRANTS (W200212)
LISTING DATE : 16 FEBRUARY 2017
EXPIRY DATE : 12 FEBRUARY 2020

Size of Warrantholdings	Number of Warrantholders	%	Number of Warrants held	%
1 – 99	118	3.79	1,905	0.00
100 – 1,000	309	9.94	292,208	0.03
1,001 – 10,000	1,292	41.54	7,167,342	0.86
10,001 – 1,000,000	1,354	43.54	117,898,247	14.09
1,000,001 and above	37	1.19	711,307,419	85.02
Total	**3,110**	**100.00**	**836,667,121**	**100.00**

TOP 20 WARRANTHOLDERS

S/No.	Name	Number of Warrants held	%
1	CGS-CIMB SECURITIES (S) PTE LTD	222,194,925	26.56
2	LIM ENG HOCK	183,246,925	21.90
3	CITIBANK NOMINEES SINGAPORE PTE LTD	76,393,975	9.13
4	OCBC SECURITIES PRIVATE LTD	23,781,390	2.84
5	MAYBANK KIM ENG SECURITIES PTE LTD	23,277,034	2.78
6	RAFFLES NOMINEES (PTE) LTD	22,514,300	2.69
7	DBS NOMINEES PTE LTD	17,129,863	2.05
8	UOB KAY HIAN PTE LTD	16,689,900	1.99
9	RHB SECURITIES SINGAPORE PTE LTD	15,915,000	1.90
10	DBS VICKERS SECURITIES (S) PTE LTD	14,396,800	1.72
11	PHILLIP SECURITIES PTE LTD	13,761,729	1.64
12	UNITED OVERSEAS BANK NOMINEES PTE LTD	11,385,718	1.36
13	TANG CHONG SIM	6,700,000	0.80
14	LIM JUEXIN LEONARD	6,466,000	0.77
15	WONG NYOK NGO	6,000,000	0.72
16	KHOO POH KOON	5,748,001	0.69
17	HSBC (SINGAPORE) NOMINEES PTE LTD	4,724,100	0.56
18	OCBC NOMINEES SINGAPORE PTE LTD	3,757,160	0.45
19	LIM SER HENG	3,197,600	0.38
20	SAI YEE @ SIA SAY YEE	3,053,000	0.36
	Total	**680,333,420**	**81.29**

Source: The Central Depository (Pte) Limited

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 51st Annual General Meeting of **UPP HOLDINGS LIMITED** (the "**Company**") will be held on Friday, 27 April 2018 at 10.30 a.m. at Nordic Conference Room, 1st Floor, No. 3 International Business Park, Nordic European Centre, Singapore 609927 for the following purposes:

AS ORDINARY BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

1. To receive and adopt the Directors' Statement and Audited Accounts of the Company for the year ended 31 December 2017 together with the Auditors' Report thereon. **(Ordinary Resolution 1)**

2. To approve a final dividend of 0.50 cent tax exempt (one tier) dividend per share for the financial year ended 31 December 2017. **(Ordinary Resolution 2)**

3. To approve the payment of Directors' fees of up to S$350,000 payable by the Company for the year ending 31 December 2018. **(Ordinary Resolution 3)**

4. To re-elect Mr. Ong Pang Liang, retiring pursuant to Regulation 104 of the Constitution of the Company. *(See Explanatory Note (i))* **(Ordinary Resolution 4)**

5. To re-elect Mr. Gary Ho Kuat Foong, retiring pursuant to Regulation 104 of the Constitution of the Company. *(See Explanatory Note (ii))* **(Ordinary Resolution 5)**

6. To re-elect Mr. Khoo Hsien Ming Kevin, retiring pursuant to Regulation 104 of the Constitution of the Company. *(See Explanatory Note (iii))* **(Ordinary Resolution 6)**

7. To re-appoint Messrs Nexia TS Public Accounting Corporation as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 7)**

8. To transact any other ordinary business which may be transacted at an Annual General Meeting.

NOTICE OF
ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions, with or without any modifications:

9. Authority to Directors to Issue Shares

As an Ordinary Resolution:

That pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Act**") and the rules, guidelines and measures issued by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the Directors of the Company be and are hereby authorised and empowered to issue:

(i) shares in the capital of the Company ("**shares**");

(ii) convertible securities;

(iii) additional convertible securities issued pursuant to adjustments; or

(iv) shares arising from the conversion of the securities in (ii) and (iii) above,

(whether by way of rights, bonus or otherwise in pursuance of any offer, agreement or option made or granted by the Directors during the continuance of this authority or thereafter) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit (notwithstanding the authority conferred by this Resolution may have ceased to be in force), provided that:

(1) Subject to sub-paragraph (2) below, the aggregate number of shares to be issued (including shares to be issued in pursuance of convertible securities made or granted) does not exceed fifty per cent. (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company as calculated in accordance with sub-paragraph (3) below ("**Issued Shares**"), provided that the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the total number of Issued Shares;

NOTICE OF
ANNUAL GENERAL MEETING

(2) Subject to Practice Note 8.3 of the Listing Manual and the approval of the SGX-ST, the aggregate number of shares to be issued (including shares to be issued in pursuance of convertible securities made or granted) does not exceed one hundred per cent. (100%) of the total number of Issued Shares, in respect of renounceable rights issues;

(3) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of Issued Shares shall be based on the total number of Issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities;

(ii) (where applicable) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the Listing Manual; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares.

(4) in exercising the authority conferred by this Resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and (unless revoked or varied by the Company in General Meeting), in respect of sub-paragraph (1) above the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company ("**AGM**") or the date by which the next AGM of the Company is required by law to be held, whichever is earlier, and in respect of sub-paragraph (2) above, the authority conferred by this Resolution shall continue in force until 31 December 2018, or such other date permitted by Practice Note 8.3 or the SGX-ST. *(See Explanatory Note (iv))* **(Ordinary Resolution 8)**

NOTICE OF
ANNUAL GENERAL MEETING

10. Approval for Renewal of Share Purchase Mandate

As an Ordinary Resolution:

(a) That for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50 of Singapore (the "**Act**"), the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of the Company (the "**Shares**") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) on-market purchases (each an "**On-Market Share Purchase**") on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"); and/or

(ii) off-market purchases (each an "**Off-Market Share Purchase**") effected in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held;

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held; and

(iii) the date on which the purchase of Shares by the Company pursuant to the Share Purchase Mandate is carried out to the full extent mandated;

(c) in this Resolution:

"**Prescribed Limit**" means 10% of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares or subsidiary holdings as at that date); and

NOTICE OF
ANNUAL GENERAL MEETING

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of an On-Market Share Purchase, 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Share Purchase, 120% of the Average Closing Price,

where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last 5 Market Days ("**Market Day**" being a day on which the SGX-ST is open for securities trading), on which transactions in the Shares were recorded, before the day on which the On-Market Share Purchase was made or before the date of the Company's announcement of an offer for the Off-Market Share Purchase, as the case may be, and deemed to be adjusted for any corporate action that occurs after the relevant 5 Market Days; and

(d) the Directors of the Company and/or each of them be and are/is hereby authorised to complete and do all such acts and things as they and/or he may consider necessary, desirable necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution. *(See Explanatory Note (v))* **(Ordinary Resolution 9)**

11. Approval for Change of Name

As Special Resolution:

That:

(a) approval be and is hereby given for the name of the Company "UPP Holdings Limited" to be changed to "Avarga Limited" and that the name "UPP Holdings Limited" be substituted with "Avarga Limited" wherever the former name appears in the Constitution of the Company; and

(b) the Directors of the Company and/or each of them be and are/is hereby authorised to do all such acts and things as he may consider necessary, desirable and expedient in the interest of the Company in connection with the Proposed Change of Name, including without limitation to the foregoing, to sign, execute and deliver all documents, approve any amendments, alterations or modifications to any document (if required). **(Special Resolution 10)**

BY ORDER OF THE BOARD
Tong Kooi Ong
Executive Chairman and Chief Executive Officer

5 April 2018

NOTICE OF
ANNUAL GENERAL MEETING

Notes:

1. (a) A member of the Company who is not a relevant intermediary entitled to attend and vote at the above Meeting may appoint not more than two (2) proxies to attend and vote in his stead. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.

   (b) A member of the Company who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member (which number and class of Shares shall be specified). In such an event, such member shall submit a list of its proxies together with the information required in this proxy form to the Company.

   "**Relevant intermediary**" means:

   (i) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, 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 license to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or

   (iii) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that 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 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. The instrument appointing a proxy must be deposited at the Registered Office of the Company not less than seventy-two (72) hours before the time appointed for holding the Meeting.

4. If the member is a corporation, the instrument appointing the proxy must be under common seal or the hand of an officer or attorney duly authorised.

NOTICE OF
ANNUAL GENERAL MEETING

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual 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, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual 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.

Explanatory Notes:

(i) Ordinary Resolution 4

Subject to his re-election, Mr. Ong Pang Liang will be re-appointed as an Independent Director. Mr. Ong Pang Liang is also a member of the Nominating Committee and the Remuneration Committee. Detailed information on Mr. Ong Pang Liang can be found under page 15 in the Company's Annual Report 2017.

(ii) Ordinary Resolution 5

Subject to his re-election, Mr. Gary Ho Kuat Foong will be re-appointed as an Independent Director. Mr. Gary Ho Kuat Foong is also the Chairman of the Audit and Risk Management Committee and a member of the Nominating Committee. Detailed information on Mr. Gary Ho Kuat Foong can be found under page 15 in the Company's Annual Report 2017.

(iii) Ordinary Resolution 6

Subject to his re-election, Mr. Khoo Hsien Ming Kevin will be re-appointed as an Executive Director. Detailed information on Mr. Khoo Hsien Ming Kevin can be found under page 14 in the Company's Annual Report 2017.

NOTICE OF
ANNUAL GENERAL MEETING

(iv) Ordinary Resolution 8

In accordance with Rule 107 of the Listing Manual, the SGX-ST has decided to modify the requirement under Rule 806(2) of the Listing Manual to provisionally raise the rights issue limit from 50% to 100% (the "**Enhanced Rights Issue Limit**") subject to conditions set out in paragraph 3 of Practice Note 8.3 of the Listing Manual. The Enhanced Rights Issue Limit takes effect from 13 March 2017 until 31 December 2018 by which date the shares issued pursuant to the Enhanced Rights Issue Limit must be listed.

The Ordinary Resolution 8 proposed above, if passed, will empower the Directors of the Company to issue shares in the capital of the Company and to make or grant convertible securities, and to issue shares in pursuance of such convertible securities, without seeking any further approval from shareholders in general meeting, up to a number not exceeding (i) one hundred percent. (100%) of the total number of Issued Shares in respect of renounceable rights issues and subject to Practice Note 8.3 and (ii) fifty percent. (50%) of the total number of Issued Shares of which up to twenty percent. (20%) of the total number of Issued Shares may be issued other than on a pro rata basis to shareholders.

The Board is of the view that the Enhanced Rights Issue Limit is in the interest of the Company and its shareholders.

(v) Ordinary Resolution 9

The ordinary resolution proposed above, if passed, will enable the Directors of the Company, unless varied or revoked by the Company in general meeting, from the date of the above Annual General Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting is required by law to be held, or the date on which the purchase of Shares by the Company is carried out to the full extent mandated, whichever is the earliest, to purchase Shares by way of On-Market Share Purchases and/or Off-Market Share Purchases of up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings of the Company) at the time of the passing of the ordinary resolution and up to the Maximum Price. The Company intends to use internal sources of funds or external borrowings, or a combination of both, to finance its purchase of Shares pursuant to the Share Purchase Mandate. The amount of funding required for the Company to purchase or acquire its Shares and the financial impact on the Company and the Group arising from the purchase of Shares cannot be ascertained as at the date of this Notice as these will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, and the consideration paid at the relevant time and the amount (if any) borrowed by the Company to fund the purchase. The rationale for, the authority and the limits on, and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate on the audited financial statements of the Company and the Group for the financial year ended 31 December 2017 (for illustrative purposes only) are set out in greater detail in the Addendum to the Notice of Annual General Meeting dated 27 April 2018 in relation to the proposed renewal of the Share Purchase Mandate and Proposed Change of Name.

This page has been intentionally left blank

PROXY FORM

UPP Holdings Limited
(Company Registration No. 196700346M)

ANNUAL GENERAL MEETING TO BE HELD ON 27 APRIL 2018
(Before completing this form, please see notes below)

IMPORTANT:
1. For investors who have used their CPF monies to buy shares in the capital of UPP Holdings Limited, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________ (Name) ____________________ (NRIC/Passport No.)

of ____ (Address)

being a member/members of UPP Holdings Limited (the "**Company**"), hereby appoint:

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

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting ("**AGM**") of the Company to be held on Friday, 27 April 2018 at 10.30 a.m. at Nordic Conference Room, 1st Floor, No. 3 International Business Park, Nordic European Centre, Singapore 609927, and at any adjournment thereof in the following manner indicated below: (Please indicate with a cross ("**X**") in the spaces provided whether you wish your vote(s) to be cast "For" or "Against" the Resolutions. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit.)

No.	Resolutions relating to:	For	Against
	ORDINARY BUSINESS		
1	Adoption of Directors' Statement and Audited Accounts		
2	Approval of a final dividend of 0.50 cents tax exempt (one tier) dividend per share for the financial year ended 31 December 2017		
3	Approval of Directors' fees for the financial year ending 31 December 2018		
4	Re-election of Mr. Ong Pang Liang as Director		
5	Re-election of Mr. Gary Ho Kuat Foong as Director		
6	Re-election of Mr. Khoo Hsien Ming Kevin as Director		
7	Re-appointment of Messrs Nexia TS Public Accounting Corporation as Auditors of the Company and to authorise the Directors to fix their remuneration		
	SPECIAL BUSINESS		
8	To authorise Directors to issue shares and convertible securities under Section 161 of the Companies Act, Chapter 50		
9	To approve the renewal of the Share Purchase Mandate		
10	To approve the Proposed Change of Name of the Company		

Dated this ________ day of ______________ 2018

Total Number of Shares held:	
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s)/Common Seal

Important: Please read notes overleaf

PROXY FORM

Notes

1. If you have shares in the capital of the Company ("**Shares**") entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore (the "**Act**"), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument of proxy shall be deemed to relate to all the Shares held by you.

2. (a) A member of the Company ("**Member**") who is not a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a Member appoints two (2) proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no percentage is specified, the first named proxy shall be deemed to represent 100 per cent (100%) of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.

   (b) A Member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such Member (which number and class of Shares shall be specified). In such an event, such Member shall submit a list of its proxies together with the information required in this proxy form to the Company.

   "**Relevant intermediary**" means:

   (i) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, 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 license to provide custodial services for securities under the Act and who holds shares in that capacity; or

   (iii) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore (the "**CPF Act**"), in respect of shares purchased under the subsidiary legislation made under the CPF 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 Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

3. A proxy need not be a Member.

4. The instrument appointing a proxy or proxies must be lodged at the registered office of the Company at 1 Kim Seng Promenade, #13-10 Great World City West Tower, Singapore 237994, not less than seventy-two (72) hours before the time appointed for holding the AGM.

5. 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 under its common seal or under the hand of an officer or attorney duly authorised.

6. A corporation which is a Member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General

The Company shall be entitled to reject the instrument of proxy if it is incomplete, improperly completed or illegible or where the true intentions of the Member is not ascertainable from the instructions specified in the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument of proxy lodged if the Member, being the appointor, is not shown to have Shares entered against his name in the Depository Register seventy-two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual 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, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual 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.

This page has been intentionally left blank

This page has been intentionally left blank

This page has been intentionally left blank

UPP HOLDINGS LIMITED
1 Kim Seng Promenade #13-10
Great World City West Tower
Singapore 237994
T: (65) 6836 5522
F: (65) 6836 5500
E: admin@upp-group.com