UPP HOLDINGS LIMITED

BUILDING VALUE

ANNUAL REPORT 2016

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BOARD OF DIRECTORS
Tong Kooi Ong
Executive Chairman and Chief Executive Officer

Koh Wan Kai
Executive Director, President and Chief Operating Officer

Khoo Hsien Ming Kevin
Executive Director and President, Investments

Tong Ian
Executive Director and Vice President, Investments

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

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

CHAIRMAN'S AND CEO'S
STATEMENT

Dear Fellow Shareholders,

This is my fifth annual report card to you. I joined your Board on 15 March 2012 and became the Chairman and CEO in May 2012.

Each year, I use this opportunity not just to report on the financial health of your Company and explain the reasons of the financial results, but I also attempt to articulate my vision, values and strategies to the best extent possible. For competitive, legal and regulatory reasons, I am obviously not able to elaborate fully.

I have done the same since the 1990s when I headed numerous public listed companies in Malaysia, Canada and Singapore.

The cover on the annual reports each year tells the story: the challenges, the developments, the achievements, the hope and aspirations.

It started with seeking new business opportunities in 2012, to the frustrations in securing the Myanmar power plant that followed, and then the realisation of the plan and finally the rewards of that achievement.

At the same time, we were able to achieve much higher profitability as the paper manufacturing and recycling business turned more efficient, more productive and was blessed with stronger demand.

With the two core businesses of paper manufacturing and power generation "taking roots" in 2015, we made two major decisions last year, which I articulated in last year's annual report.

The first was paying a tax-exempt dividend of 1 cent per share last year, and a promise that we will endeavour to continue paying the 1 cent per share dividend annually for each of the next three financial years ending 31 December 2016, 2017 and 2018, barring any unforeseen circumstances.

This is the highest dividend paid in this Company's history. I also believe it is the first time a Singapore public listed company made such a declaration. It is only possible because we are confident that our core earnings are sustainable.

The second decision was mentioned in the last paragraph of Page 6 of the 2015 Annual Report. We had substantial cash balances. "We are aware that as the custodian of your Company, we have a responsibility to improve the returns on the assets of your Company, including the cash we have built up. If we fail to find good assets to invest in, we should hand the cash back to shareholders."

CHAIRMAN'S AND CEO'S STATEMENT

We managed to acquire 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, on 31 January 2017, following shareholders' approval at the EGM. The total consideration was C$71.8 million.

I was an interested party, where I also sold my 19.25% stake in the common shares of Taiga to UPP Holdings Limited for C$6.2 million in cash. The Independent Board members recommended this acquisition after having considered the financial effects and that they are not prejudicial to the interests of the Company and its minority shareholders.

If you have not done so, I would encourage you to read the Circular to Shareholders of 16 January 2017 on the proposed acquisition of the Taiga common shares and Notes and the proposed bonus warrants issue.

I feel I should describe a bit more of the business of Taiga later in this Statement, given the recent successful acquisition. A financial discussion will be more fully articulated in next year's annual report when we consolidate the financial results of Taiga into UPP Holdings.

In any case, Taiga is a public listed company on the Toronto Stock Exchange. Shareholders of UPP Holdings are encouraged to look up on Taiga's past performances, its business model and its successes and failures. As in the case of UPP Holdings, my Chairman Statements in the annual reports of Taiga are also fairly frank and descriptive. And I was the CEO of Taiga for almost four years from 2005.

Building Value

This leads me to the theme for this year's Annual Report, **BUILDING VALUE**. I believe the cover for this year's annual report fairly reflects the story of UPP Holdings so far.

What is "Building Value" for your Company?

Perhaps a quote from Warren Buffet helps explain. "Price is what you pay. Value is what you get." And what you get is the discounted anticipated future cash flows.

It is our responsibility to maximise what you can get out of the Company as a shareholder, in terms of dividends and capital gains over the long term. The best way to achieve this is to continuously improve on the profitability of existing businesses, to invest into new ventures that generate good returns taking into consideration acceptable risks, to manage the level of borrowings to maximise Return On Equity ("**ROE**") without sacrificing our balance sheet strength, and to align the interest of staff and management with shareholders.

CHAIRMAN'S AND CEO'S
STATEMENT

Key financial highlights of UPP Holdings Limited:

	For the Financial Year Ended 31 December					
	2016	2015	2014	2013	2012	2011
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Revenue	63,347	61,103	116,901	48,087	49,996	51,125
Pre-tax profit/(loss)	13,144	13,255	9,694	1,489	2,423	(398)
Net profit/(loss) after minority interests	12,563	12,785	8,978	946	1,994	(612)
Total assets	190,104	188,970	189,026	182,087	183,141	129,255
Total equity	183,742	183,434	182,628	174,364	172,827	119,121
Net cash	57,184	54,893	40,824	68,648	75,714	20,733

Profit/(loss) contributions by Paper Manufacturing and Power Generation:

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

The starting point to building value and enhancing profitability is always about people, rather than the types of businesses, the countries they operate in or whether they are perceived to be sunset or sunrise industries. Human make things happen, constructively or destructively. We are capable of coming out with ideas and technologies that can creatively disrupt or creatively collaborate.

For us, it starts with our core values and beliefs. We also know our own strengths and weaknesses, arising from our experiences and the expertise we have gained over time. We are realistic to venture into businesses where we believe we have competitive advantages, and only after we have articulated what we believe is a sustainable business model.

One of our core strengths is the ability to analyse and develop business models. We are factual, analytical and meticulous. As a result, we are not easily swayed by trends, fads and exuberances. This requires a disciplined approach with a long term horizon.

Critically, businesses work best when interests are aligned, whether it is with suppliers or customers or with staff and management. Many companies provide stock options and performance bonuses based on achieving Key Performance Indicators ("**KPIs**") and profit targets. Instead of creating value for the company, it sometimes encourages short term opportunistic behaviour and high risk taking. Giving someone an option on the upside without an equivalent downside cost is irrational. And most KPIs are only focused on short term targets, and therefore not holistic and comprehensive enough to encourage decisions that promote long term sustainable profitability and value.

Paper Manufacturing in Malaysia

Since 2011, annual net earnings contribution from our paper manufacturing business has grown significantly from $1.4 million to $7.9 million in 2016, despite the weaker Malaysian ringgit (the base currency of this business in Malaysia).

In Malaysian ringgit terms, net profit increased even more, by nearly 7-folds from RM3.5 million to RM23.6 million from 2011 to 2016, on the back of a 24% increase in revenue from RM121.0 million to RM149.9 million in the same period. A small additional investment of RM2.4 million was made in 2015 to increase capacity, with the plant now capable of producing up to 90,000 tonnes of paper per year.

From 2011 to 2016, EBITDA margins improved from 9% to over 20% while Return On Assets ("**ROA**") shot up from 1.6% to 10.6%. And this was achieved despite higher electricity tariffs, higher gas prices and the implementation of minimum wages in Malaysia.

The staff should be congratulated for making our plant one of the most cost-efficient in the country, a feat achieved despite our relatively smaller size. Productivity also improved with the new investment and blessed with better demand, profitability was significantly enhanced.

Despite this being an "old business", or some would even say a sunset industry, we think otherwise. E-commerce is one of the fastest growing industries (whether it is online purchase of high end fashion or everyday home delivery of food). It is an integral part of the digital economy, widely used by the younger generation and attracting ridiculous valuations and huge new investments. But regardless of who wins the logistic game of selling and delivery, or how it is delivered (by person or drones), packaging materials and boxes are necessary. And more critically, demand will continue to grow as E-commerce continues to grow and more sales are moved online from retail shops.

It is also an environmental-friendly business. Instead of cutting down trees, we recycle used paper and wastepaper such as discarded boxes, cartons and old newspapers to produce brown paper products such as test liner, corrugated medium and core board. These brown paper products are used for the manufacture of corrugated carton boxes and other packaging items.

However, we are now approaching the limits of our capacity, with the current plant and equipment.

CHAIRMAN'S AND CEO'S
STATEMENT

Power Generation in Myanmar

Profitability of our power generation business in Myanmar also continued to improve with higher efficiency and continued plant upgrades. Credit goes to our operation and maintenance partners, Myan Shwe Pyi and Caterpillar.

Under our power purchase agreement with Electric Power Generation Enterprise ("**EPGE**"), we are contracted to sell a minimum of 350 million kWh per year, for a period of 30 years commencing 11 February 2014.

We are pleased to note that we have met all our contractual obligations.

In the first year of commercial operation, we generated and sold 354.84 million kWh. We improved on the second year to 370.45 million kWh. And for the year just ended, from 11 February 2016 to 10 February 2017, we supplied a total of 381.68 million kWh. This was 3.0% higher than 2016 and 9.1% above the minimum contracted amount. With Myanmar continuing to develop and industrialise, the appetite for more and more power is insatiable. Electrification rate in Myanmar is less than 40%.

However, there is a technological limit on how much more we can increase output and hence, profitability. The business will provide relatively steady and assured income over the duration of the concession. But there will also be years in future when our cash flows will be affected as we rotate the generators for major overhauls and maintenance.

Corporate Social Responsibility

Meanwhile, I am happy to report that we accelerated our Corporate Social Responsibility ("**CSR**") programme in Myanmar last year.

If you would recall in the 2015 Annual Report, we identified a government primary school near our power plant, No. 16 Basic Education Primary School, Insein township, where we replaced two-thirds of the old furniture with new desks and chairs to accommodate some 200 pupils per session.

In 2016, we took a major step further to improve conditions for the school.

We 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. We hope to equip the pupils with better computer and literacy skills, and a bigger desire to learn.

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.

Wholesale Distribution of Building Materials in Canada and USA

With both the paper and power plants running at full capacity and reaching their limits in terms of profitability, we needed a third leg to continue growing your Company.

The acquisition of Taiga Building Products provides UPP Holdings a new platform to grow.

Key financial highlights of Taiga Building Products Ltd

Taiga Building Products Ltd	For the Financial Year Ended 31 March				
	2016	2015	2014	2013	2012
	C$'000	C$'000	C$'000	C$'000	C$'000
Sales	1,364,322	1,348,718	1,194,259	1,132,743	971,625
Gross margin	117,015	114,998	96,810	102,815	95,811
EBITDA	45,035	44,057	36,824	42,934	34,555
Pre-tax profit	19,008	17,311	9,165	15,231	7,237
Net profit	11,720	11,080	5,076	10,434	3,724
Total assets	305,612	347,383	315,840	346,446	298,649
Gross margin	8.6%	8.5%	8.1%	9.1%	9.9%
EBITDA margin	3.3%	3.3%	3.1%	3.8%	3.6%

Established in 1973 and listed on the Toronto Stock Exchange 20 years later, Taiga is Canada's largest wholesale distributor of building materials, such as lumber, panels, mouldings, doors, engineered wood, roofing, insulations and others. It has 15 distribution centres across Canada, from Nanaimo in Vancouver Island in the west, to Paradise, Newfoundland in the east.

Distribution and sales into the USA are through 2 distribution centres in California and 6 reload stations in the states of Pennsylvania, New York, Michigan, Vermont and Illinois.

Taiga also exports to Pacific Rim countries, Central and South America, the Middle East and Europe from its head office in Burnaby, British Columbia, Canada.

Taiga operates 3 wood preservation plants that produce pressure-treated wood products, used principally for outdoor decking and fencing. Other than pressure-treated wood products, all other products sold are sourced from third party manufacturers, principally from Canada and USA, but also from Asia and Central and South America.

Customers of Taiga range from the very large retailers and DIYs in North America, such as Home Depot, Lowe's and Rona to the huge number of widely dispersed smaller and neighbourhood lumber yards and hardware stores.

Its products are mostly used for new residential landed residences and for renovations.

Taiga employs over 400 employees. Annual sales is over C$1 billion with a gross margin in excess of C$100 million.

CHAIRMAN'S AND CEO'S
STATEMENT

The strengths of Taiga are the comprehensive and varied building material products it distributes, its relationships with both suppliers and customers, its strategic locations and the company being the lowest cost operator per dollar of sales in the industry. This is made possible by the product mix of its sales, its wide and huge distribution capabilities, and the high level of efficiencies.

Another critical aspect is the alignment of staff and management with shareholders. Introduced in 2005 when I was the CEO of the company, Taiga has a unique Pay for Performance (**P4P**) structure that incentivise management and staff to maximise the profitability of the company over the longer term, right down to the forklift operators and office clerks. For trading businesses, it is important that sales people do not give away inventory profits or make low margin sales. And percentage gross margins are low, so operating and cost efficiencies are paramount.

I would like to discuss Taiga's business model as a wholesale distributor, from a strategic and macro industry analysis perspective. I will reserve all discussions on the financials of Taiga to next year's annual report.

There are a lot of academic papers and consultant reports on the end of wholesale distribution as a business model. How producers will bypass wholesalers to sell direct to the retail outlets. And more recently, how producers will bypass retailers to sell direct to customers, or often abbreviated as B2C.

Innovation and change (whether technologically driven or not, but almost always enabled) is a given fact which usually improve conveniences, costs and profits. Digitalisation of the world, the democratisation of assets, people and economies; and the effects of mass customisation and localisation of production will only accelerate.

But there is also the risk that it may lead to generalisation, simplification of analysis and misleading conclusions. Putting together a theory or getting to a useful general conclusion sometimes result in us ignoring inconvenient facts, removing "outliers" in data or making unrealistic assumptions due to lack of knowledge and expertise. To quote George Bernard Shaw, "Beware of false knowledge; it is more dangerous than ignorance."

Canada is a country with the second largest land mass in the world, totalling nearly 10 million sq km. It has a fairly small population of just 35.9 million people, giving it a population density of 3.6 people per sq km. The US has a land area just slightly smaller than Canada at 9.8 million sq km, but it has a population of 321.4 million people, or a population density of 32.7. Singapore has a land mass of 717 sq km and a population of 5.5 million, or a population density of 7,719 people per sq km.

The economic geography of these countries will result in different business models, especially when the distribution and handling costs are high relative to the selling prices of these products, such as the case for building materials.

And it gets a lot more complicated. There are thousands of items required to build a new home or when undertaking renovations. The volume required for each product differs from one another. Customers need the complete range to be delivered on time and to the right place, as and when required. And customers range from individual DIYs to contractors and large scale builders. The gross margins for these products ranges from as little as 3-4% to as high as plus 20%, often a function of volume.

I expect few people can fully comprehend, but I hope I am able to show that Taiga has a sustainable business model that is unique.

Next 12 months

The acquisition of Taiga has used up all our available cash resources and more. We have secured new banking lines. And since interest costs are substantially lower than the ROE we are able to achieve, this leveraging is value-accretive. I believe we have more room to leverage up as our underlying assets are able to generate sustainable cash flows.

But we will be cautious and not sacrifice the strength of our balance sheet. We have always and will continue to be judicious in our investments, with a careful analysis of not just returns, but also risks.

There are still many opportunities, including in the industries we currently operate in.

There are also clear capital market inefficiencies. The huge growth in Exchange Traded Funds and Private Equity generate new opportunities. The trend to Beta investing and funds pouring into private markets, especially new technology start-ups, is a gift to value investors.

Case in point. Last year, we took an opportunity and bought a 4.98% stake in the ordinary shares of Classic Scenic Berhad at a total consideration of RM8.52 million, or RM1.42 per share.

The company manufactures custom photo frames in Malaysia and is listed on Bursa Malaysia. Almost all of its sales are exported and are denominated in USD. Some 80% of its sales are to the USA, primarily to Michael's, Hobby Lobby and Larson Juhl. Michael's is the largest arts and crafts retail chain in the USA, with over 1,200 stores.

In 2015, Classic Scenic had revenue of RM54 million and a high EBITDA margin of 31.2%. With the weakening ringgit, margins and profits expanded further in 2016. The investment also effectively provided us a currency hedge for our ringgit deposits, as Classic Scenic's earnings are USD-based.

We bought the shares at RM1.42 each and have since received 6 sen in interim dividends. The stock price as at 20 February 2017 was RM1.99, giving us a total gain of 44.4% in well under a year, including the dividend.

We are not traders and will not become stock traders. We take strategic interests when an opportunity presents itself.

The bonus warrants

In 2012, the Company undertook a share placement issue that raised $40.3 million cash. Although we had some $20 million in net cash prior to the placement, we could not borrow easily to invest into the Myanmar power plant project, given the financials then.

Our strong operating performance has since generated good cash flows and a track record where it is now possible to secure substantial bank facilities. And we are using a part of this credit facility in the Taiga acquisition.

Over the next couple of years, further investments to expand our current businesses or to venture into new areas will likely be partially financed by bank borrowings and cash flows from operations. This means it is likely that in a few years' time, your Company may require additional capital. We hope to grow your Company and secure new investments with high ROA. And the best opportunities come when the macro outlook is negative and cash is hard to come by.

CHAIRMAN'S AND CEO'S **STATEMENT**

Hence, the Company undertook the bonus issue of 836,667,121 warrants, which were offered free to shareholders on the basis of 1 warrant for 1 ordinary share held.

The warrants carry an exercise price of 37 cents, roughly double the then share price of the underlying shares when they were proposed. We were mindful that although the free warrants were to reward shareholders, they should benefit the Company and be value enhancing, rather than dilutive. Should the warrants be fully exercised within the next 3 years, they could generate some $300 million in proceeds for the Company.

Acknowledgement

As mentioned earlier, the management and staff did a commendable job last year. Not just in securing the new investments but also in improving the efficiencies of our current businesses. The team that completed the Taiga deal worked very hard at it. And this includes our advisors, especially the lawyers from Chang See Hiang & Partners. Internally, Tai Lai Yeen, our Group Finance Manager, deserves much credit.

The Board and especially the independent directors played a pivotal role, in sharing their wisdom, advice and decisions in the acquisition process. Since last year, the Board has also approved a performance bonus that is based not only on profits, but also takes into consideration the risk and the required rate of returns on our investments. This will further align staff and management interests to your interests as shareholders.

And to you as shareholders, I hope you are enjoying the journey so far and I hope you will stay with us in the journey ahead. There will be bumps no doubt. The road ahead is never smooth or easy. But I do think the tree we have planted has taken roots.

God Bless and thank you,

TONG KOOI ONG
Chairman of the Board and CEO

"I long to accomplish a great and noble task, but it is my chief duty to accomplish small tasks as if they were great and noble."
Helen Keller

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, Canada and elsewhere.

He is on the board of M+S Pte Ltd, a joint venture between Khazanah Nasional Berhad and Temasek Holdings (Private) Ltd. He is Chairman of the Board of Taiga Building Products Ltd., a wholesale distributor of building products, listed on the Toronto Stock Exchange and Chairman of 3Cnergy Limited, listed on the Singapore Exchange, undertaking a property development in Puteri Harbour Johor Bahru, Malaysia.

His media interests are in The Edge Media Group Pte Ltd, which publishes *The Edge Singapore, The Edge Malaysia, The Edge Financial Daily, TheEdgeProperty.com* and has an online presence through its websites, theedgemarkets.com and theedgeproperty.com.

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, President and Chief Operating Officer
Appointed to the Board on 1 April 2009

Mr. Koh was appointed President of the Company on 1 April 2008. He is currently the President and Chief Operating Officer with responsibility for the Group's business operations. 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 and President, Investments
Appointed to the Board on 1 September 2015

Mr. Khoo joined the Group as President, Investments of UPP Capital (M) Sdn. Bhd. 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.

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.

BOARD OF DIRECTORS

TONG IAN

Executive Director and Vice President, Investments
Appointed to the Board on 7 March 2017

Mr. Tong joined the Group in 2012 and is responsible for exploring new investments and supporting the current businesses of the Group. 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.

He is a Director of The Edge Media Group Pte Ltd, which publishes *The Edge Singapore*, *The Edge Malaysia, The Edge Financial Daily, TheEdgeProperty.com*, and has an online presence through its websites, theedgemarkets.com and theedgeproperty.com. He also serves on the board of various privately-held property development companies in Malaysia and Canada.

Mr. Tong 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 in Canada.

NG SHIN EIN

Independent Director
Appointed to the Board on 20 April 2013

Ms. Ng Shin Ein is Managing Partner of Gryphus Capital, a multi strategy investment firm. Ms. Ng has extensive experience in strategy, business development and governance of portfolio companies. She leads a global network of family offices and investors in providing strategic capital for private equity investments.

Prior to this, 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.

Admitted as an advocate and solicitor of the Singapore Supreme Court, Ms. Ng started her career as a corporate lawyer in Messrs Lee & Lee. Whilst at Lee & Lee, she advised clients on joint ventures, mergers & acquisitions and fund raising exercises.

Ms. Ng is the youngest ever director to be appointed to the Board of NTUC Fairprice Cooperative Limited, where she also serves on the Executive Board. For her contributions, she was awarded Friend of Labour by NTUC in 2015. Additionally, she sits on the boards of Yanlord Land Limited, Eu Yang Sang Limited and the Singapore International Foundation.

Ms. Ng has a keen interest in innovation, and serves on the advisory panel of Exploit Technologies, the commercial arm of A*STAR. Ms. Ng has also been an adjunct research fellow at the National University of Singapore, where she focused on her area of interest, corporate philanthropy.

Ms. Ng is currently Singapore's Non-Resident Ambassador to The Republic of Hungary.

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.

KALIMULLAH BIN MASHEERUL HASSAN
Independent Director
Appointed to the Board on 20 April 2013

Dato' Seri Kalimullah Hassan, a Malaysian, age 59, 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, the National Unity Advisory Panel, the Multimedia Development Corporation (MDeC) and the National Information Technology Council (NITC). 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, which has won the Prime Minister's Award for Corporate Social Responsibility twice in the last six years. Dato' Seri Kalimullah stepped down as CEO of ECM Libra in 2010 and focuses his time in co-managing the foundation and carrying out charity work amongst the poor.

He remains as Non-Executive Chairman of ECM Libra Financial Group Berhad, Chairman of the ECM Libra Foundation, and is an adjunct professor at LimKokWing University. He is a director of the University Malaysia Specialist Hospital (UMSC) 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 also the Managing Director of several private corporations which provide management, consulting and other professional services.

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.

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 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**").

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 2016 ("**FY2016**"), 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 28 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.

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 2016, the Board comprised seven (7) 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 and Mr. Ong Pang Liang. 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 2016, the Board comprised the following members:

Mr. Tong Kooi Ong	Executive Chairman and Chief Executive Officer
Mr. Koh Wan Kai	Executive Director, President and Chief Operating Officer
Mr. Khoo Hsien Ming Kevin	Executive Director and President, Investments
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[1]	Independent Director

Notes:

(1) Mr. Ong Pang Liang was re-designated from Non-Executive Director to Independent Director with effect from 1 January 2016.

On 7 March 2017, Mr. Tong Ian was appointed as an Executive Director and Mr. Garson David Lee was appointed as an Independent Director. As at 7 March 2017, the Board comprised nine (9) members.

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 any relationships or appointment which would impair their independence to the Board in a timely manner. Taking into account the views of the NC, the Board has determined that the Independent Directors are independent. The criteria for independence is based on the guidelines set out in the Code.

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.

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.

Non-executive Directors are encouraged to meet regularly without the presence of Management.

Principle 3: Chairman and Chief Executive Officer

Mr. Tong Kooi Ong, the Chairman of the Board, is also the CEO. For FY2016, 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.

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.

The Chairman 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. The Chairman 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. The Chairman 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.

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 2016, the NC comprised three (3) 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 2016, the NC members were as follows:

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

On 7 March 2017, Ms. Ng Shin Ein was appointed as member of the NC. As at 7 March 2017, the NC comprised four (4) Directors and all the Directors are Independent and Non-Executive Directors.

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.

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. 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 and Mr. Ong Pang Liang to be independent.

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 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. Accordingly, the Board has not set a maximum number of board representations a Director may hold. For FY2016, 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.

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. 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.

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 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.

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.

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 2016, the RC comprised three (3) 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 2016, the RC members were as follows:

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

On 7 March 2017, Mr. Garson David Lee was appointed as member of the RC. As at 7 March 2017, the RC comprised four (4) Directors. All the members of the RC are Independent and Non-Executive Directors.

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.

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 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 FY2016.

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 Directors are paid Director's fees, determined by the Board based on the effort, time spent and responsibilities of the Directors. In ensuring a formal and transparent procedure for developing policy on executive remuneration and fixing the remuneration packages of individual Directors, the RC 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**").

Principle 9: Disclosure on Remuneration

The remuneration of Directors and key management personnel (who are not Directors or the CEO) of the Group for FY2016 is set out below:

(a) Directors	Fees (S$)	Salary (S$)	Bonus (S$)	Benefits (S$)	Total (S$)
Mr. Tong Kooi Ong	–	500,000	250,000	30,197	780,197
Mr. Koh Wan Kai	–	240,000	145,000	4,439	389,439
Mr. Khoo Hsien Ming Kevin	–	183,708	53,581	–	237,289
Mr. Gary Ho Kuat Foong	57,000	–	–	–	57,000
Ms. Ng Shin Ein	54,000	–	–	–	54,000
Dato' Seri Kalimullah Bin Masheerul Hassan	51,000	–	–	–	51,000
Mr. Ong Pang Liang	54,000	–	–	–	54,000

(b) Key Management Personnel of the Group	Fee (%)	Salary (%)	Bonus (%)	Benefits (%)	Total (%)
Below S$250,000					
Mr. Edward Lee Eng Chew	–	79	21	–	100
Ms. Tai Lai Yeen	–	74	26	–	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.

Given the organisation structure of the Group, the Group does not have any other key management personnel other than the abovementioned two persons.

Total remuneration paid to the key management personnel (who are not Directors or the CEO) for FY2016 was approximately S$235,000.

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 FY2016. 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$100,001 during FY2016 is set out below:

Between S$100,001 to S$150,000

Name	Designation	Relationship
Tong Ian	Executive Vice President, Investments	Son of Mr. Tong Kooi Ong (Executive Chairman and 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 core values, 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.

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 monthly 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.

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 was in place throughout the financial year and up to the date of this Annual Report provides reasonable, but not absolute, assurance against material financial misstatements or loss (including 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 2016.

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 judgment in decision-making, human error, losses, fraud or other irregularities.

The Board has received assurance from the CEO and the Chief Operating Officer that: (a) the financial records have been properly maintained, (b) 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 2016, the ARMC comprised three (3) 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 one of its members have recent and relevant accounting or related financial management expertise and one of them is a Chartered Accountant of Singapore (CA (Singapore)).

As at 31 December 2016, the ARMC members were as follows:

Mr. Gary Ho Kuat Foong	(Chairman)
Ms. Ng Shin Ein	(Member)
Mr. Ong Pang Liang	(Member)

On 7 March 2017, Mr. Garson David Lee and Dato' Seri Kalimullah Bin Masheerul Hassan were appointed as member of the ARMC. As at 7 March 2017, the ARMC comprised five (5) Directors. All the members of the ARMC are Independent Non-Executive Directors.

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;
(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, 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/payable to the Group's external auditors, Nexia TS (including auditor of subsidiary corporations which is the network of member firms of Nexia International), is set out below.

Service Category	**Fees Paid/Payable (S$'000)**
Audit Service	87
Non-Audit Service	19
Total Fees	**106**

The ARMC, having reviewed all non-audit services provided by the external auditors of the Group, Nexia TS Public Accounting Corporation ("**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 the external auditors for re-appointment.

The Group'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. 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 Group's auditing firm.

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.

Where outsourced internal audit services are required to supplement the internal audit work for the financial year, the appointment of the audit firm to perform such services is approved by the ARMC. The internal audit charter ensures the internal audit department has full access to all documents, records, properties and personnel of the Group.

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. 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. The Company has not amended its Constitution to provide for absentia voting methods which call for elaborate and costly implementation of a fool-proof system, 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.

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 practice 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 FY2016, 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 Annual General Meeting. 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 2016

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 25 April 2014	Executive	–	–
Mr. Khoo Hsien Ming Kevin	–	1 September 2015 29 April 2016	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	20 April 2013 29 April 2016	Independent	Yanlord Land Group Limited First Resources Limited Sabana Shari'ah Compliant Industrial Real Estate Investment Trust	-
Dato' Seri Kalimullah Bin Masheerul Hassan	Chairman: Nominating Committee Member: 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.	–

Attendance at Board and Committee Meetings for the financial year ended 31 December 2016

Directors	Board		Audit and Risk Management Committee		Nominating Committee		Remunerating Committee		Special Committee	
	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance
Mr. Tong Kooi Ong	5	5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Koh Wan Kai	5	5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Khoo Hsien Ming Kevin	5	5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Gary Ho Kuat Foong	5	5	4	4	1	1	N.A.	N.A.	3	3
Ms. Ng Shin Ein	5	5	4	4	N.A.	N.A.	1	1	3	1
Dato' Seri Kalimullah Bin Masheerul Hassan	5	5	N.A.	N.A.	1	1	1	1	3	3
Mr. Ong Pang Liang	5	5	4	4	1	1	1	1	3	3

Particulars of Key Management Personnel of the Group as at 31 December 2016

Edward Lee Eng Chew

Mr. Lee is the Executive Vice President (Corporate and Legal Service) of UPP Capital (M) Sdn. Bhd. and 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

Ms. Tai is the Group Finance Manager and is responsible for the 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.

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 FY2016.

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 "**Shares Placement**"), the amount of approximately S$31.3 million of the 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 utilisation, 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 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**").

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 announced on 7 March 2017, the Company had on the same day entered into subscription agreements (collectively, the "**Subscription Agreements**" and each, a "**Subscription Agreement**") with Mohamed Nazir Bin Abdul Razak, John Vlasto, Hsieh Fu Hua and Chan Chia Lin (the "**Subscribers**") pursuant to which the Subscribers have agreed to subscribe for an aggregate of 40,000,000 new ordinary shares in the capital of the Company (the "**Subscription Shares**") at an issue price of S$0.25 per Subscription Share (the "**Subscription Price**") (such subscriptions collectively, the "**Subscription**").

The purpose of the Subscription was to enable the Company to raise additional funds in an expeditious manner.

As announced on 27 March 2017, the completion of the Subscription took place on 27 March 2017, pursuant to which the 40,000,000 Subscription Shares were allotted and issued to the Subscribers. Following the completion of the Subscription, the total number of issued Shares of the Company has increased from 836,667,121 Shares to 876,667,121 Shares.

The Subscription Shares were issued free from all claims, pledges, mortgages, charges, liens and encumbrances and shall rank *pari passu* in all respects with the existing issued Shares save that the Subscription Shares will not rank for any dividends, rights, allotments or other distributions the record date for which falls before 27 March 2017.

The net proceeds from the Subscription after deducting expenses incurred in connection with the Subscription was approximately S$9.9 million. The Company intends to utilise 100% of the net proceeds to reduce its bank borrowings.

The Company will make an announcement as and when the proceeds from the Subscription are materially disbursed and whether such a use is in accordance with the stated use. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation.

Pending the deployment of the proceeds from the Subscription, such proceeds may be placed as deposits with financial institutions or invested in short-term money markets or debt instruments or for any other purposes on a short-term basis as the Directors may deem fit, from time to time.

CORPORATE SOCIAL RESPONSIBILITY

The Group's Corporate Social Responsibility ("**CSR**") efforts are largely focused on Myanmar, where we see room to help improve living and education standards, especially for the communities near our power plant in Yangon.

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

In 2016, we took a major step further to improve conditions for the school. We 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. We hope to equip the pupils with better computer and literacy skills, and a bigger desire to learn.

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.

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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2016 and the balance sheet of the Company as at 31 December 2016.

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 41 to 97 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 2016 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)
Koh Wan Kai	(Executive Director)
Khoo Hsien Ming Kevin	(Executive Director)
Gary Ho Kuat Foong	
Ng Shin Ein	
Kalimullah Bin Masheerul Hassan	
Ong Pang Liang	
Tong Ian	(Appointed on 7 March 2017)
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' 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 31.12.2016	**At 1.1.2016**	**At 31.12.2016**	**At 1.1.2016**
Company				
(No. of ordinary shares)				
Tong Kooi Ong	–	–	213,561,000	213,561,000
Ong Pang Liang	5,000,000	5,000,000	–	–
Kalimullah Bin Masheerul Hassan	–	–	30,000,000	25,000,000

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 31.12.2016	**At 1.1.2016**
UPP Pulp & Paper (M) Sdn. Bhd.		
– No. of ordinary shares	145,858,112	145,858,112
UPP Recycled Fibre (M) Sdn. Bhd.		
– No. of ordinary shares	408,163	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 2017 were the same as those as at 31 December 2016.

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.

Share options (Continued)

Employee Share Option Scheme (Continued)

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.

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

Audit and Risk Management Committee ("ARMC") (Continued)

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 2016 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
Director

Koh Wan Kai
Director

20 March 2017

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 2016, 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 41 to 97.

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 financial position of the Group and of the Company as at 31 December 2016 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.

Key audit matter	How our audit addressed the matter
Carrying amount of service concession receivables (Refer to Notes 3.1(a) and 6 to the financial statements) The Group has entered into a service concession arrangement with Electric Power Generation Enterprise ("**EPGE**") (formerly known as Myanma Electric Power Enterprise), a governmental body of the Republic of the Union of Myanmar to provide electricity generated on a take or pay and Build-Operate-Transfer ("**BOT**") basis. During the concession period of 30 years, the Group will receive guaranteed minimum annual payments from EPGE. These guaranteed minimum annual payments are recognised as financial receivables (service concession receivables) to the extent that the Group has contractual rights under the concession arrangements. 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. In practice, actual cash flows rarely occur in line with management's estimation. Therefore, 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 adjustment is recognised as income or expense in profit or loss.	In obtaining sufficient audit evidence, the following procedures were performed: • reviewed if there is any new/revised agreement or any addendum to the initial agreements; • reviewed the subsequent measurement of service concession receivables and assessed whether it is in accordance with FRS 39; and • discussed and assessed management's estimates on the future cash flows and its impact to the financial statements, if any. We have evaluated and challenged management's judgement on the estimated future cash flow and did not find the estimates to be inappropriate or unreasonable.

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.

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.

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
20 March 2017

BALANCE SHEETS

AS AT 31 DECEMBER 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
ASSETS					
Current assets					
Cash and cash equivalents	4	57,184	54,893	51,473	47,212
Trade and other receivables	5	13,163	11,850	53,646	57,629
Service concession receivables	6	17,219	16,827	–	–
Inventories	7	5,282	5,438	–	–
		92,848	89,008	105,119	104,841
Assets held-for-sale	11	8,494	7,742	–	–
		101,342	96,750	105,119	104,841
Non-current assets					
Property, plant and equipment	8	47,195	50,353	77	167
Available-for-sale financial asset	9	3,458	–	–	–
Investments in subsidiary corporations	10	–	–	15,694	15,694
Service concession receivables	6	38,109	41,867	–	–
Other receivables	5	–	–	22,609	26,513
		88,762	92,220	38,380	42,374
Total assets		190,104	188,970	143,499	147,215
LIABILITIES					
Current liabilities					
Trade and other payables	12	5,677	4,851	911	804
Non-current liabilities					
Deferred income tax liabilities	13	685	685	–	–
Total liabilities		6,362	5,536	911	804
NET ASSETS		183,742	183,434	142,588	146,411
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	14	140,578	140,578	140,578	140,578
Retained profit		55,168	55,155	1,936	5,759
Other reserves	15	(16,949)	(17,576)	74	74
		178,797	178,157	142,588	146,411
Non-controlling interests		4,945	5,277	–	–
Total equity		183,742	183,434	142,588	146,411

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 $'000	Group 2015 $'000
Revenue	17	63,347	61,103
Cost of sales		(44,677)	(43,559)
Gross profit		18,670	17,544
Other income, net	18	2,101	3,203
Expenses			
– Selling and distribution		(1,781)	(2,083)
– Administrative		(5,842)	(5,405)
– Finance	21	(4)	(4)
Profit before income tax		13,144	13,255
Income tax expense	22	(16)	(14)
Net profit		13,128	13,241
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value gains	9	637	–
Currency translation differences arising from consolidation			
– Losses		(113)	(8,252)
Other comprehensive income/(loss), net of tax		524	(8,252)
Total comprehensive income		13,652	4,989
Profit attributable to:			
Equity holders of the Company		12,563	12,785
Non-controlling interests		565	456
		13,128	13,241
Total comprehensive income attributable to:			
Equity holders of the Company		13,190	5,595
Non-controlling interests		462	(606)
		13,652	4,989
Earnings per share for profit attributable to equity holders of the Company (cents per share)			
– Basic	23	1.50	1.53
– Diluted	23	1.50	1.53

The accompanying notes form an integral part of these financial statements

	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
		← Attributable to equity holders of the Company →							
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	16	–	(8,367)	–	–	–	–	–	(8,367)
Dividend relating to 2016 paid	16	–	(4,183)	–	–	–	–	–	(4,183)
End of financial year		140,578	55,168	712	(18,298)	637	(16,949)	4,945	183,742

	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
		← Attributable to equity holders of the Company →							
2015									
Beginning of financial year		140,578	46,553	712	(11,098)	–	(10,386)	5,883	182,628
Profit for the financial year		–	12,785	–	–	–	–	456	13,241
Other comprehensive loss for the financial year		–	–	–	(7,190)	–	(7,190)	(1,062)	(8,252)
Total comprehensive income/ (loss) for the financial year		–	12,785	–	(7,190)	–	(7,190)	(606)	4,989
Dividend relating to 2014 paid	16	–	(4,183)	–	–	–	–	–	(4,183)
End of financial year		140,578	55,155	712	(18,288)	–	(17,576)	5,277	183,434

(1) Retained profits of the Group are distributable.

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF
CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 $'000	2015 $'000
Cash flows from operating activities			
Net profit		13,128	13,241
Adjustments for:			
– Income tax expense	22	16	14
– Depreciation of property, plant and equipment	19	2,550	2,587
– Gain on disposal of property, plant and equipment	18	(52)	(52)
– Bad debt (recovered)/written off	18	(15)	9
– (Reversal of)/allowance for impairment of trade receivables	18	(67)	615
– Finance income	17	(6,374)	(6,784)
– Dividend income from quoted equity security	18	(115)	–
– Interest income	18	(480)	(370)
– Interest expense	21	4	4
– Unrealised currency translation gains		(1,543)	(5,012)
Operating cash flow before working capital changes		7,052	4,252
Changes in working capital			
– Trade and other receivables and service concession receivables		10,084	11,687
– Inventories		156	3,722
– Trade and other payables		828	(1,059)
Cash generated from operations		18,120	18,602
Interest received		309	227
Interest paid		(4)	(4)
Income tax paid		(16)	(14)
Net cash provided by operating activities		18,409	18,811
Cash flows from investing activities			
Additions to property, plant and equipment		(1,173)	(1,196)
Disposal of property, plant and equipment		55	78
Dividend income from quoted equity security		115	–
Purchase of available-for-sale financial asset		(2,821)	–
Net cash used in investing activities		(3,824)	(1,118)
Cash flows from financing activities			
Dividends paid to equity holders of the Company	16	(12,550)	(4,183)
Dividend paid by a subsidiary corporation to non-controlling interests		(794)	–
Net cash used in financing activities		(13,344)	(4,183)
Net increase in cash and cash equivalents		1,241	13,510
Cash and cash equivalents			
Beginning of financial year		54,893	40,824
Effects of currency translation on cash and cash equivalents		1,050	559
End of financial year	4	57,184	54,893

The accompanying notes form an integral part of these financial statements

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 2016

On 1 January 2016, 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 insubstantial 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.

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 goods and services tax, rebates and discounts, and after eliminating sales within the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue recognition (Continued)

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 2.7).

(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 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 over 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, transactions, 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.

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.

(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.

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 2.5 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 method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold land	90 to 99 years
Building	50 years
Plant and machinery	3 to 40 years
Furniture, fixtures and office equipment	3 to 10 years
Motor vehicles	5 years

The residual values, estimated useful lives 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.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (Continued)

(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 income, net".

2.5 Borrowing costs

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

2.6 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.

2.7 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. 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 2.9 below.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Service concession arrangement (Continued)

(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.

(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 2.17 below.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets

Property, plant and equipment
Investments in subsidiary corporations

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 is reversed 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 is recognised in profit or loss.

2.9 Financial assets

(a) *Classification*

The Group classifies its financial assets as loans and receivables 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) *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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (Continued)

(a) Classification (Continued)

(ii) 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.

(d) Subsequent measurement

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (Continued)

(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

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.

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in Note 2.9(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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 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.

2.11 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.

2.12 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.

2.13 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 current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Leases

When the Group is the lessee

The Group leases certain properties under operating leases from non-related parties.

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.

2.15 Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost of raw materials is determined using the weighted average method and includes 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 direct materials, labour and an appropriate proportion of manufacturing overheads (based on normal operating capacity).

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.

2.16 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Income taxes (Continued)

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.

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.

2.17 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 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.

(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) *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.

2.19 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Financial guarantees (Continued)

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.

2.20 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 income, net".

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)

2.20 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.

2.21 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.

2.22 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.

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)

2.23 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.

2.24 Dividends to Company's shareholders

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

2.25 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.

2.26 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.

3.1 Critical accounting estimates and assumptions

(a) *Carrying amount of service concession receivables*

The service concession receivables is 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 $217,000 (2015: $646,000) and correspondingly to profit or loss.

(b) *Useful life of property, plant and equipment*

The cost of plant and machinery for the manufacturing activities is depreciated on a straight-line basis over the plant and machinery's estimated economic useful life. 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. Management estimates the useful life of the Paper Mill plant and machinery to be 40 years. The carrying amount and estimated useful life are reviewed annually by management, taking into considerations of physical, economic and commercial conditions.

As at 31 December 2016, the carrying amount of the Paper Mill plant and machinery was $28,760,000 (2015: $30,571,000). 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 life of the Paper Mill plant and machinery differ by 15% from management estimates, the carrying amount of the Paper Mill plant and machinery will be $152,000 (2015: $155,000) higher or $206,000 (2015: $209,000) lower.

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3.1 Critical accounting estimates and assumptions (Continued)

(c) 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 2016, the total allowances for impairment of receivables of the Group are $230,000 (2015: $1,035,000).

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 $23,000 (2015: $103,500).

3.2 Critical judgements in applying the entity's accounting policies

(a) Deferred income tax assets

The Group recognises deferred income tax assets on carried forward capital allowances, and investment and reinvestment allowances to the extent that there are sufficient estimated future taxable profits and/or taxable temporary differences against which these allowances can be utilised and that the Group is able to satisfy the continuing ownership test. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The total carrying amount of recognised capital allowances, investment and reinvestment allowances and other temporary differences of the Group amounted to $32,548,000 (2015: $34,188,000) and the unrecognised tax losses, capital allowances, and investment and reinvestment allowances of the Group and unrecognised tax losses of the Company were $5,261,000 (2015: $12,815,000) and $NIL (2015: $54,000) respectively. If the tax authority regards the group entities as not satisfying and/or meeting certain statutory requirements in their respective countries of incorporation, the deferred income tax asset will have to be written off as income tax expense.

4 CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Cash at bank and on hand	52,666	4,149	49,209	1,488
Short-term bank deposits	4,518	50,744	2,264	45,724
	57,184	54,893	51,473	47,212

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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
United States Dollar	49,498	35,098	48,758	29,132

5 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Current trade and other receivables				
Trade receivables – non-related parties	12,441	12,280	113	45
Less: Allowance for impairment of receivables – non-related parties (Note 27(i))	(230)	(1,035)	–	–
Trade receivables – net	12,211	11,245	113	45
Amounts due from subsidiary corporations – non-trade (Note 27(ix)(i))	–	–	48,947	53,053
Loan to a subsidiary corporation	–	–	4,522	4,419
Deposits	479	70	35	36
Prepayments	165	213	22	17
Other receivables – non-related parties	308	322	7	59
	952	605	53,533	57,584
	13,163	11,850	53,646	57,629
Non-current other receivables				
Loan to a subsidiary corporation	–	–	22,609	26,513
	13,163	11,850	76,255	84,142

5 TRADE AND OTHER RECEIVABLES (CONTINUED)

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.

Loan to a subsidiary corporation is unsecured, bears interest at 8% per annum and repayable in 8 equal annual instalments commencing on 28 February 2015.

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

	Company	
	2016	**2015**
	$'000	**$'000**
Loan to a subsidiary corporation	22,609	26,513

The fair value is determined from the cash flow analysis, discounted at effective interest rate of 8% (2015: 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	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollar	533	397	37,518	47,495

6 SERVICE CONCESSION RECEIVABLES

	Group	
	2016	**2015**
	$'000	**$'000**
Current portion	17,219	16,827
Non-current portion	38,109	41,867
	55,328	58,694

During the current financial year, the Group recognised finance income of $6,374,000 (2015: $6,784,000) as revenue from service concession arrangement. The effective interest rate applied is 12% (2015: 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**") (formerly known as Myanma Electric Power Enterprise), 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.

7 INVENTORIES

	Group	
	2016	2015
	$'000	$'000
Finished goods	2,870	2,991
Raw materials	1,768	1,753
Work-in-progress	8	7
Production supplies	636	638
Goods-in-transit	–	49
	5,282	5,438

The cost of inventories recognised as an expense and included in "cost of sales" amounts to $25,008,000 (2015: $25,639,000).

8 PROPERTY, PLANT AND EQUIPMENT

	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 19)	–	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

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						
2015						
Cost						
Beginning of financial year	4,306	20,150	64,224	1,526	1,737	91,943
Currency translation differences	(558)	(2,612)	(8,402)	(189)	(178)	(11,939)
Additions	–	–	1,282	41	70	1,393
Disposals	–	–	(38)	(3)	–	(41)
End of financial year	3,748	17,538	57,066	1,375	1,629	81,356
Accumulated depreciation						
Beginning of financial year	–	5,122	25,300	1,254	1,137	32,813
Currency translation differences	–	(688)	(3,402)	(158)	(133)	(4,381)
Charge for the year (Note 19)	–	373	1,904	73	237	2,587
Disposals	–	–	(14)	(2)	–	(16)
End of financial year	–	4,807	23,788	1,167	1,241	31,003
Net book value						
End of financial year	3,748	12,731	33,278	208	388	50,353

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Furniture, Fixtures, and Office Equipment $'000	Motor Vehicles $'000	Total $'000
Company			
2016			
Cost			
Beginning of financial year	69	430	499
Additions	7	–	7
Disposals	(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
Disposals	(2)	–	(2)
Written off	(10)	–	(10)
End of financial year	59	358	417
Net book value			
End of financial year	5	72	77
Company			
2015			
Cost			
Beginning of financial year	67	430	497
Additions	2	–	2
End of financial year	69	430	499
Accumulated depreciation			
Beginning of financial year	54	186	240
Charge for the year	6	86	92
End of financial year	60	272	332
Net book value			
End of financial year	9	158	167

9 AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group	
	2016	2015
	$'000	$'000
Beginning of financial year	–	–
Additions	2,821	–
Fair value gains recognised in other comprehensive income (Note 15)	637	–
End of financial year	3,458	–

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

Listed security		
Equity security – Malaysia	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	
	2016	2015
	$'000	$'000
Malaysian Ringgit	3,458	–

10 INVESTMENTS IN SUBSIDIARY CORPORATIONS

	Company	
	2016	2015
	$'000	$'000
Equity investments at cost		
Beginning and end of financial year	15,694	15,694

10 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Details of subsidiary corporations are as follows:

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	
			2016 %	2015 %	2016 %	2015 %
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. (formerly known as UPP Investment (Asia) Pte Ltd)	Singapore	Investment holding	100	100	–	–
[(4)]UPP Investments Canada Limited	Canada	Investment holding	100	–	–	–
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	92.8	92.8	7.2	7.2
[(2)]UPP Recycled Fibre (M) Sdn. Bhd.	Malaysia	Dormant	92.8	92.8	7.2	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	–	–

(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) Incorporated on 14 December 2016.

10 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

No summarised financial information for each of the respective subsidiary corporations that has non-controlling interests are presented as management is of the opinion that the carrying amount of the non-controlling interests are in aggregate and individually not material to the Group. There were no transactions with the non-controlling interests for the financial years ended 31 December 2016 and 2015.

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					
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
Group					
2015					
Beginning and end of financial year					
Cost	10,545	–	–	–	10,545
Accumulated depreciation	2,803	–	–	–	2,803
Net book value	7,742	–	–	–	7,742

11 ASSETS HELD-FOR-SALE (CONTINUED)

The details of the Group's properties 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 prospective buyer for the proposed sale of the office and factory located at Kajang for a proposed cash consideration of $1.9 million. As the proposed disposal of the above asset is expected to be completed within the next 12 months from the balance sheet date, the asset is reclassified as asset held-for-sale as at 31 December 2016.

12 TRADE AND OTHER PAYABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables – non-related parties	3,706	3,277	–	–
Accrued operating expenses	1,684	1,523	833	758
Other payables – non-related parties	287	51	78	46
	5,677	4,851	911	804

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

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	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollar	617	509	172	202

13 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	
	2016	**2015**
	$'000	**$'000**
Deferred income tax liabilities		
To be settled after one year	685	685

Movement in deferred income tax account is as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Beginning of financial year	685	685
Tax charged to profit or loss (Note 22)	–	–
End of financial year	685	685

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

	Group	
	2016	**2015**
	$'000	**$'000**
Deferred income tax liabilities		
Accelerated tax depreciation		
Beginning of financial year	9,232	10,662
Currency translation differences	(181)	(1,294)
Credited to profit or loss	(554)	(136)
End of financial year	8,497	9,232

13 DEFERRED INCOME TAXES (CONTINUED)

Deferred income tax assets

	Unabsorbed capital allowances $'000	Unutilised investment and reinvestment allowances $'000	Provisions and others $'000	Total $'000
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)
Group				
2015				
Beginning of financial year	(3,339)	(6,574)	(64)	(9,977)
Currency translation differences	433	852	9	1,294
Charged/(credited) to profit or loss	1,709	(1,301)	(272)	136
End of financial year	(1,197)	(7,023)	(327)	(8,547)

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 $1,893,000 (2015: $1,957,000), $12,000 (2015: $12,000) and $3,356,000 (2015: $10,846,000) respectively and the Company has unrecognised tax losses of approximately $NIL (2015: $54,000) 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.

14 SHARE CAPITAL

	Group and Company			
	No. of shares 2016 '000	Amount 2016 $'000	No. of shares 2015 '000	Amount 2015 $'000
Beginning and end of financial year	836,667	140,578	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.

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.

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.

15 OTHER RESERVES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Capital reserve	712	712	74	74
Currency translation reserve	(18,298)	(18,288)	–	–
Fair value reserve (Note 9)	637	–	–	–
	(16,949)	(17,576)	74	74

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 (2015: $638,000) which relates to contribution by a non-controlling interest in excess of its shareholding.

Other reserves are non-distributable.

16 DIVIDENDS

	Group	
	2016	**2015**
	$'000	**$'000**
Ordinary dividends paid		
Final dividend paid in respect of the previous financial year of 1.0 cents (2015: 0.5 cents) per share	8,367	4,183
Interim dividend paid in respect of the current financial year of 0.5 cents (2015: NIL) per share	4,183	–
	12,550	4,183

At the forthcoming Annual General Meeting on 28 April 2017, a final dividend of 0.50 cents per share amounting to a total of $4,183,000 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 2017.

17 REVENUE

	Group	
	2016	2015
	$'000	$'000
Sale of goods	50,048	49,157
Operating and maintenance income	6,925	5,162
Finance income	6,374	6,784
	63,347	61,103

18 OTHER INCOME, NET

	Group	
	2016	2015
	$'000	$'000
Gain on disposal of property, plant and equipment	52	52
Reversal of/(allowance) for impairment of trade receivables – net (Note 27(i))	67	(615)
Bad debts recovered/(written off)	15	(9)
Interest income	480	370
Dividend income from quoted equity security	115	–
Currency exchange gain – net	1,145	3,360
Others	227	45
	2,101	3,203

19 EXPENSES BY NATURE

	Group	
	2016	2015
	$'000	$'000
Fees on audit services paid/payable to:		
– Auditor of the Company	63	63
– Other auditor*	24	24
Fees on non-audit services paid/payable to:		
– Auditor of the Company	8	10
– Other auditor*	11	10
Purchase of inventories	24,852	21,917
Depreciation of property, plant and equipment (Note 8)	2,550	2,587
Directors' fees	216	216
Employee compensation (Note 20)	5,377	4,910
General and professional fees	103	126
Manufacturing overhead	2,336	2,295
Insurance	444	654
Rental expenses on operating leases	519	486
Transportation expenses	1,373	1,655
Utilities	7,971	7,474
Operating and maintenance fees	3,853	2,748
Other expenses	2,444	2,150
Changes in inventories	156	3,722
Total cost of sales, selling and distribution and administrative expenses	52,300	51,047

* Include auditor of subsidiary corporations which is the network of member firms of Nexia International.

20 EMPLOYEE COMPENSATION

	Group	
	2016	2015
	$'000	$'000
Salaries, bonuses and wages	4,875	4,477
Employer's contribution to defined contribution plans	288	260
Other short-term benefits	214	173
	5,377	4,910

21 FINANCE EXPENSES

	Group	
	2016	2015
	$'000	$'000
Interest expense on bank overdrafts	4	4

22 INCOME TAX EXPENSE

	Group	
	2016	2015
	$'000	$'000
Tax expense attributable to profit is made up of:		
Profit for the financial year		
– Current income tax – foreign	16	14
– Deferred income tax (Note 13)	–	–
	16	14

The reconciliation between the income tax expense and the product of accounting profit multiplied by the applicable corporate tax for the year ended 31 December are as follows:

	Group	
	2016	2015
	$'000	$'000
Profit before income tax	13,144	13,255
Tax at domestic rates applicable to profit in the countries where the Group operates	3,413	3,345
Effects of:		
– Expenses not deductible for tax purposes	670	758
– Income not subject to tax	(2,064)	(2,477)
– Utilisation of previously unrecognised deferred tax assets	(1,803)	(1,612)
– Effect of partial tax exemption and tax relief	(182)	–
– Others	(18)	–
	16	14

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.

23 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	
	2016	**2015**
Net profit attributable to equity holders of the Company ($'000)	12,563	12,785
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	836,667	836,667
Basic and diluted earnings per share (cents per share)	1.50	1.53

24 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 2015 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	
	2016	**2015**
	$'000	**$'000**
Salaries and bonuses	1,823	1,424
Employer's contribution to defined contribution plans	85	68
Other short-term benefits	35	34
	1,943	1,526
Comprise amounts paid to:		
Directors of the Company	1,678	1,135
Other key management personnel	265	391
	1,943	1,526

25 COMMITMENTS

Operating lease commitments – where the Group is a lessee

The Group leases land and office 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:

	Group	
	2016	**2015**
	$'000	**$'000**
Not later than one year	491	359
Between one and five years	1,633	1,808
Later than five years	4,064	4,064
	6,188	6,231

26 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.

27 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, currency risk, capital risk and price risk. It is, and has been throughout the current and previous financial year the Group's and the Company's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. 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.

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.

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

For other financial assets, the Group and the Company minimise credit risk by dealing only with high credit rating counterparties.

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 thirteen debtors (2015: eleven debtors) that individually represented 3% to 5% (2015: 3% to 7%) and the trade receivables of the Company comprise one debtor (2015: one debtor) that represented 37% (2015: 69%) of trade receivables.

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
By geographical areas				
Singapore	113	45	113	45
Malaysia	11,678	10,849	–	–
Other countries	420	351	–	–
	12,211	11,245	113	45

<u>Financial assets that are neither past due nor impaired</u>

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

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (Continued)

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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Past due < 1 month	2,274	1,935	–	–
Past due 1 to 3 months	807	1,170	–	–
Past due over 3 months	273	813	–	–
	3,354	3,918	–	–

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

	Group	
	2016	2015
	$'000	$'000
Gross amount	230	1,035
Less: Allowance for impairment	(230)	(1,035)
	–	–
Beginning of financial year	1,035	528
Currency translation differences	(19)	(108)
Allowance made, net (Note 18)	–	615
Allowance reversed (Note 18)	(67)	–
Allowance utilised	(719)	–
End of financial year (Note 5)	230	1,035

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments within the credit terms. These receivables are not secured by any collateral or credit enhancements.

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 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 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.

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.

	Trade and other payables $'000
Group	
2016	
Less than one year	5,677
2015	
Less than one year	4,851
Company	
2016	
Less than one year	911
2015	
Less than one year	804

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

At the balance sheet date, the Group has no significant exposure to interest rate risk as it has no outstanding borrowings.

(iv) Currency risk

The Group operates in Asia with dominant operations in Singapore, Malaysia and Myanmar. Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the 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, 9 and 12 to the financial statements. As at 31 December 2016 and 2015, 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. 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 change against the SGD by 5% (2015: 5%) with all other variables including tax rate being held constant, the effects arising from the net financial assets/liabilities position will be as follows:

	Increase/(Decrease) Profit before tax	
	2016	**2015**
	$'000	**$'000**
Group		
USD against SGD		
– Strengthened	2,773	2,324
– Weakened	(2,773)	(2,324)
Company		
USD against SGD		
– Strengthened	4,305	3,821
– Weakened	(4,305)	(3,821)

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. 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, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a debt-equity ratio. The debt-equity ratio is calculated as total liabilities divided by net assets.

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Total liabilities	6,362	5,536	911	804
Net assets	183,742	183,434	142,588	146,411
Debt-equity ratio (times)	0.035	0.030	0.006	0.005

The Group and the Company seeks to strike a balance between the higher returns that might be possible with higher levels of borrowings and the liquidity and security afforded by a sound capital position. There were no changes in the Group's and the Company's approach to capital management from 2015.

The Group and the Company do not have any externally imposed capital requirements for the financial year ended 31 December 2016 and 2015.

(vi) Price risk

The Group is exposed to equity security prices 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% (2015: NIL) with all other variable including tax rate being held constant, the effects on other comprehensive income would have been:

	← Increase/(Decrease) → Other comprehensive income	
	2016	2015
	$'000	$'000
Group		
Listed in Malaysia		
– increased by	133	–
– decreased by	(133)	–

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(vii) Fair value measurements

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 of the fair value hierarchy, in which assets are measured at fair value based on quoted prices (unadjusted) in active markets for identical assets.

The following table presents asset that is measured at fair value at 31 December:

	Level 1
	$'000
Group	
Available-for-sale financial asset	
2016	3,458
2015	–

The carrying amount less impairment allowance of trade receivables and trade payables are assumed to approximate their fair values.

(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 Note 9 to the financial statements, except for the following:

	Group		**Company**	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Loans and receivables	125,510	125,224	127,706	131,337
Financial liabilities at amortised cost	5,677	4,851	911	804

27 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 2016			
Due from subsidiary corporations	71,784	(22,837)	48,947
Total	71,784	(22,837)	48,947
At 31 December 2015			
Due from subsidiary corporations	67,817	(14,764)	53,053
Total	67,817	(14,764)	53,053

27 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 2016			
Due to subsidiary corporations	22,837	(22,837)	–
Total	22,837	(22,837)	–
At 31 December 2015			
Due to subsidiary corporations	14,764	(14,764)	–
Total	14,764	(14,764)	–

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.

28 SEGMENT INFORMATION

The Group's chief operating decision-maker ("**CODM**") comprises of the Chief Executive Officer, the Chief Operating Officer and President, Investments. Management has determined the operating segments based on the reports reviewed by the CODM.

The Group is organised into business units based on their products and services, and has three 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) 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.

28 SEGMENT INFORMATION (CONTINUED)

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

	Paper Mill		Power Plant		Others		Total		Adjustments and elimination		Note	Per consolidated financial statements	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000		2016 $'000	2015 $'000
Revenue:													
External customers	50,048	49,157	13,299	11,946	–	–	63,347	61,103	–	–		63,347	61,103
Results:													
Finance expenses	(4)	(4)	–	–	–	–	(4)	(4)	–	–		(4)	(4)
Interest income	96	57	–	–	384	313	480	370	–	–		480	370
Depreciation	(2,443)	(2,484)	(3)	(3)	(104)	(100)	(2,550)	(2,587)	–	–		(2,550)	(2,587)
Segment profit/(loss) before taxation	7,880	6,371	8,141	7,834	(2,877)	(950)	13,144	13,255	–	–		13,144	13,255
Assets:													
Additions to non-current assets	1,106	1,388	53	3	12	2	1,171	1,393	–	–	A	1,171	1,393
Segment assets	71,101	74,348	55,588	58,967	63,415	55,655	190,104	188,970	–	–		190,104	188,970
Liabilities:													
Segment liabilities	3,408	2,927	1,061	851	1,208	1,073	5,677	4,851	685	685	B	6,362	5,536

28 SEGMENT INFORMATION (CONTINUED)

Note A: Additions to non-current assets consist of additions to property, plant and equipment.

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

	Group	
	2016 $'000	2016 $'000
Deferred income tax liabilities	685	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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Malaysia	45,740	43,187	47,025	50,145
Singapore	661	1,062	77	167
Myanmar	13,299	11,946	93	41
Sri Lanka	1,670	1,909	–	–
Australia	934	1,330	–	–
Others	1,043	1,669	–	–
	63,347	61,103	47,195	50,353

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

Revenues of $13,299,000 (2015: $11,946,000) are derived from a single external customer. These revenues are attributable to the Myanmar power plant segment.

29 EVENTS OCCURRING AFTER BALANCE SHEET DATE

(i) On 24 January 2017, the Company announced that it has incorporated a wholly-owned subsidiary corporation, UPP Investments Luxembourg S.à.r.l. ("**UPP Luxembourg**") in the Grand Duchy of Luxembourg. UPP Luxembourg has an initial issued and paid-up capital of Canadian Dollars ("**C$**")20,000, represented by 20,000 shares in registered form, having a nominal value of C$1 each.

(ii) On 25 January 2017, the Company announced that it has entered into a loan agreement with its wholly-owned subsidiary corporation, UPP Investments Canada Limited ("**UPP Canada**") pursuant to which the Company agreed to lend to UPP Canada, the principal sum of C$42,318,324.53. In addition, both parties entered into a subscription agreement pursuant to which UPP Canada agreed to allot and issue to the Company 29,500,000 Class A preferred shares ("**Preferred Shares**") in the capital of UPP Canada for the aggregate subscription price of C$29,500,000. As a result, the issued and paid-up share capital of UPP Canada has increased from C$100 consisting of 100 common shares of C$1 each to C$29,510,000, consisting of 100 common shares of C$1 each and 29,500,000 Preferred Shares of C$1 each.

(iii) On 31 January 2017, the Company through its wholly-owned subsidiary corporation, UPP Canada 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 ("**Taiga Shares**"). Taiga is a wholesale distributor of building materials. Details of the assets acquired and liabilities assumed, non-controlling interest that will be recognised, revenue and profit contribution of Taiga and the effect on the cash flows for the Group are not disclosed, as the accounting for this acquisition is still incomplete at the time these financial statements have been authorised for issue. Taiga will be consolidated with effect from 31 January 2017.

The Company has also acquired of C$46,008,796.98 principal amount of 14% unsecured subordinated notes issued by Taiga ("**Taiga Notes**") representing approximately 35.71% of the outstanding Taiga Notes for a purchase consideration of C$52,910,116.53.

The aggregate consideration for the acquisition of Taiga Shares and Taiga Notes were satisfied from the internal cash flows of the Company and external bank borrowing of $27,500,000 by a subsidiary corporation. The bank borrowing of the subsidiary corporation was secured by a corporate guarantee issued by the Company to the bank.

(iv) On 10 February 2017, the Company has transferred its entire shareholdings in UPP Canada to UPP Luxembourg, for a consideration of C$29,500,100. Following the transfer, UPP Luxembourg will hold the entire issued and paid-up share capital of UPP Canada and UPP Canada will become an indirect wholly-owned subsidiary corporation of the Company.

The consideration of the transfer was satisfied by a contribution in kind to equity not remunerated by shares connected to the ordinary shares issued by UPP Luxembourg, held by the Company for C$4,425,015. The remaining C$25,075,085 was satisfied by an interest bearing loan agreement between the Company and UPP Luxembourg.

(v) On 13 February 2017, the Company has issued 836,667,121 free warrants, each warrant carrying the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of $0.37 for each new share, on the basis of one warrant for every one existing ordinary share held by shareholders as at the books closure date.

29 EVENTS OCCURRING AFTER BALANCE SHEET DATE (CONTINUED)

This transaction would have changed significantly the number of ordinary shares or potential ordinary shares outstanding at the end of the period if those transactions had occurred before the end of the reporting period. However, earnings per share amounts are not adjusted for this transaction occurring after the reporting period because this transaction do not affect the amount of capital used to produce profit or loss for the period.

(vi) On 2 March 2017, a wholly-owned subsidiary corporation of the Company, UPP Industries Pte Ltd, has entered into a sale and purchase agreement with the minority shareholders of UPP Pulp & Paper (M) Sdn Bhd ("**UPP Paper**") to acquire an aggregate of 10,525,629 shares representing approximately 7.2% of the issued and paid-up share capital of UPP Paper (the "**Acquisition**") for an aggregate cash consideration of RM15,283,213.

Upon completion of the Acquisition on 9 March 2017, the Company has increased its shareholding interest in UPP Paper from 92.8% to 100% and accordingly, UPP Paper has become an indirect wholly-owned subsidiary corporation of the Company.

(vii) On 7 March 2017, the Company has entered into subscription agreements with 4 strategic investors ("the **Subscribers**") pursuant to which the Subscribers have agreed to subscribe for an aggregate of 40,000,000 new ordinary shares in the capital of the Company (the "**Subscription Share**") at an issue price of $0.25 per Subscription Share. The aggregate 40,000,000 Subscription Shares, when allotted and issued in full, will increase the number of existing and paid-up share capital to 876,667,121 Shares.

30. 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 accounting periods beginning on or after 1 January 2017 or later periods and which the Group has not early adopted:

Effective for annual periods beginning on or after 1 January 2017

- Amendments to FRS 7 *Disclosure Initiative*
- Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*
- Improvements to FRSs (December 2016)
  - Amendments to FRS 112 Disclosure of Interests in Other Entities

Effective for annual periods beginning on or after 1 January 2018

- FRS 115 *Revenue from Contracts with Customers*
- FRS 109 *Financial Instruments*
- 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*
- Improvements to FRSs (December 2016)
  - Amendments to FRS 28 *Investments in Associates and Joint Ventures*
  - Amendments to FRS 101 *First-Time Adoption of Financial Reporting Standards*

Effective for annual periods beginning on or after 1 January 2019

- FRS 116 *Leases*

30 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

Effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the ASC.

- Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The management anticipates that the adoption of the above FRS and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the followings:

1. 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.

   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 new guidance to have a significant impact on the classification of its financial assets.

2. 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 balance sheet date, the Group has non-cancellable operating lease commitments of $6,188,000 (Note 25). 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 profit and classification of cash flows.

31 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 20 March 2017.

ADDITIONAL
SGX DISCLOSURES IN THE ANNUAL REPORT

MATERIAL CONTRACTS

Since the end of the financial year ended 31 December 2016, 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 29 of this Annual Report.

LIST OF MAJOR PROPERTIES

The following properties are owned/leased by the Group as at 31 December 2016:

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
3, Persiaran Sungai Chua Pusat Perindustrian Sungai Chua 43000 Kajang, Selangor Malaysia	Office and factory	5,567	99 years commencing from 23 November 2007

ISSUED AND FULLY PAID UP CAPITAL	:	S$140,578,423
NO. OF SHARES ISSUED	:	836,667,121
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	1 VOTE PER SHARE

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	117	3.08	1,611	0.00
100 – 1,000	323	8.49	306,191	0.04
1,001 – 10,000	1,497	39.34	8,661,926	1.03
10,001 – 1,000,000	1,839	48.33	133,927,077	16.01
1,000,001 and above	29	0.76	693,770,316	82.92
Total	**3,805**	**100.00**	**836,667,121**	**100.00**

TOP 20 SHAREHOLDERS

S/No.	Name	Number of Shares held	%
1	CIMB SECURITIES (S) PTE LTD	220,027,046	26.30
2	LIM ENG HOCK	183,246,925	21.90
3	CITIBANK NOMINEES SINGAPORE PTE LTD	82,140,675	9.82
4	OCBC SECURITIES PRIVATE LTD	22,169,690	2.65
5	MAYBANK KIM ENG SECURITIES PTE LTD	19,644,057	2.35
6	DBS VICKERS SECURITIES (S) PTE LTD	18,698,800	2.23
7	UOB KAY HIAN PTE LTD	18,324,500	2.19
8	DBS NOMINEES PTE LTD	16,667,929	1.99
9	RHB SECURITIES SINGAPORE PTE LTD	16,594,400	1.98
10	RAFFLES NOMINEES (PTE) LTD	14,400,000	1.72
11	UNITED OVERSEAS BANK NOMINEES PTE LTD	12,013,505	1.44
12	DB NOMINEES (S) PTE LTD	11,540,000	1.38
13	PHILLIP SECURITIES PTE LTD	9,670,629	1.16
14	LIM JUEXIN LEONARD	6,466,000	0.77
15	HSBC (SINGAPORE) NOMINEES PTE LTD	6,187,000	0.74
16	KHOO POH KOON	5,748,001	0.69
17	OCBC NOMINEES SINGAPORE PTE LTD	4,128,660	0.49
18	MAYBANK NOMINEES (S) PTE LTD	3,295,400	0.39
19	CHIEW POH CHENG	2,910,900	0.35
20	WONG SUEI HORNG	2,900,000	0.35
	Total	**676,774,117**	**80.89**

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	–	213,561,000[(1)]

Note:
(1) Shares held in the name of the registered holder, Phileo Capital Limited.

Approximately 47.83% 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.

WARRANTHOLDING
STATISTICS

As at 20 March 2017

WARRANTS (W200212)
LISTING DATE : 16 FEBRUARY 2017
EXPIRY DATE : 12 FEBRUARY 2020

Size of Warrantholdings	Number of Warrantholders	%	Number of Warrants	%
1 – 99	120	3.54	1,773	0.00
100 – 1,000	312	9.20	296,091	0.03
1,001 – 10,000	1,374	40.53	7,776,707	0.93
10,001 – 1,000,000	1,552	45,78	124,883,652	14.93
1,000,001 and above	32	0.95	703,708,898	84.11
Total	**3,390**	**100.00**	**836,667,121**	**100.00**

TOP 20 WARRANTHOLDERS

S/No.	Name	Number of Warrants held	%
1	CIMB SECURITIES (S) PTE LTD	219,624,025	26.25
2	LIM ENG HOCK	183,246,925	21.90
3	CITIBANK NOMINEES SINGAPORE PTE LTD	82,090,375	9.81
4	OCBC SECURITIES PRIVATE LTD	22,536,290	2.69
5	MAYBANK KIM ENG SECURITIES PTE LTD	21,083,860	2.52
6	DBS VICKERS SECURITIES (S) PTE LTD	18,646,800	2.23
7	DBS NOMINEES PTE LTD	17,259,729	2.06
8	PHILLIP SECURITIES PTE LTD	15,666,129	1.87
9	UOB KAY HIAN PTE LTD	14,257,000	1.70
10	RHB SECURITIES SINGAPORE PTE LTD	13,893,000	1.66
11	RAFFLES NOMINEES (PTE) LTD	13,484,700	1.61
12	UNITED OVERSEAS BANK NOMINEES PTE LTD	12,034,505	1.44
13	DB NOMINEES (S) PTE LTD	11,520,000	1.38
14	LIM JUEXIN LEONARD	6,466,000	0.77
15	HSBC (SINGAPORE) NOMINEES PTE LTD	6,187,000	0.74
16	KHOO POH KOON	5,748,001	0.69
17	TANG CHONG SIM	5,500,000	0.66
18	LIM SER HENG	4,000,000	0.48
19	OCBC NOMINEES SINGAPORE PTE LTD	3,979,160	0.48
20	MAYBANK NOMINEES (S) PTE LTD	3,295,400	0.39
	Total	**680,518,899**	**81.33**

Source: The Central Depository (Pte) Limited

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 50th Annual General Meeting of **UPP HOLDINGS LIMITED** (the "**Company**") will be held on Friday, 28 April 2017 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 2016 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve a final dividend of 0.50 cents tax exempt (one tier) dividend per share for the financial year ended 31 December 2016. **(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 2017. **(Resolution 3)**

4. To re-elect Mr. Koh Wan Kai, retiring pursuant to Article 110 of the Constitution of the Company. *(See Explanatory Note (i))* **(Resolution 4)**

5. To re-elect Mr. Tong Ian, who ceases to hold office in accordance with Article 120 of the Constitution and who, being eligible, offers himself for re-election. *(See Explanatory Note (ii))* **(Resolution 5)**

6. To re-elect Mr. Garson David Lee, who ceases to hold office in accordance with Article 120 of the Constitution and who, being eligible, offers himself for re-election. *(See Explanatory Note (iii))* **(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. **(Resolution 7)**

8. To transact any other ordinary business which may be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

9. Authority to Directors to issue Shares

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) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) does not exceed one hundred per cent. (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company as calculated in accordance with sub-paragraph (2) 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;

(2) (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) 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.

(3) 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), 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.
(See Explanatory Note (iv)) **(Resolution 8)**

10. Approval for renewal of Share Purchase Mandate

(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 as at that date); and

"**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))* **(Resolution 9)**

BY ORDER OF THE BOARD
Tong Kooi Ong
Executive Chairman and Chief Executive Officer

6 April 2017

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 forty-eight (48) 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.

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. Koh Wan Kai will be re-appointed as an Executive Director. Detailed information on Mr. Koh Wan Kai can be found under pages 11 and 28 in the Company's Annual Report 2016.

(ii) Ordinary Resolution 5

Subject to his re-election, Mr. Tong Ian will be re-appointed as an Executive Director. Detailed information on Mr. Tong Ian can be found under page 12 in the Company's Annual Report 2016.

(iii) Ordinary Resolution 6

Subject to his re-election, Mr. Garson David Lee will be re-appointed as an Independent Director. Mr. Garson David Lee is also a member of the Audit and Risk Management Committee and Remuneration Committee. Detailed information on Mr. Garson David Lee can be found under page 13 in the Company's Annual Report 2016.

(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, from the date of the above Meeting until the next Annual General Meeting, 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 one hundred percent. (100%) 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 of the Company is required by law to be held, or 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, 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 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 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, 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 2016 (for illustrative purposes only) are set out in greater detail in the Appendix to the Notice of Annual General Meeting dated 6 April 2017 in relation to the proposed renewal of the Share Purchase Mandate.

APPENDIX DATED 6 APRIL 2017

THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your issued and fully paid-up ordinary shares in the capital of UPP Holdings Limited, you should immediately forward this Appendix to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the accuracy of any of the statements made, opinions expressed or reports contained in this Appendix.

UPP HOLDINGS LIMITED

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

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING DATED 6 APRIL 2017

IN RELATION TO THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Appendix:–

"AGM"	:	Annual general meeting of the Company
"Board"	:	The board of directors of the Company
"CDP"	:	The Central Depository (Pte) Limited
"Company"	:	UPP Holdings Limited
"Companies Act"	:	Companies Act (Chapter 50) of Singapore, as may be amended or modified from time to time
"Controlling Shareholder"	:	A person who holds directly or indirectly 15% or more of the total number of issued Shares excluding treasury shares in the Company (unless the SGX-ST determines otherwise) or a person who in fact exercises control over the Company, as defined under the Listing Manual
"Directors"	:	The directors of the Company as at the Latest Practicable Date
"EPS"	:	Earnings per Share
"FY2016"	:	Financial year ended 31 December 2016
"Group"	:	The Company and its subsidiaries
"Latest Practicable Date"	:	23 March 2017, being the latest practicable date prior to the printing of this Appendix
"Listing Manual"	:	The listing manual of the SGX-ST, as may be amended or modified from time to time
"Market Day"	:	A day on which the SGX-ST is open for securities trading
"NAV"	:	Net asset value
"Off-Market Share Purchase"	:	A Share Purchase (if effected otherwise than on the SGX-ST) pursuant to an equal access scheme (as defined under Section 76C of the Companies Act) for the purchase of Shares from the Shareholders
"On-Market Share Purchase"	:	A Share Purchase effected on the SGX-ST through the ready market, through one or more duly licensed stockbrokers appointed by the Company for the purpose

DEFINITIONS

"Registrar"	:	Registrar of Companies appointed under the Companies Act and includes any Deputy or Assistant Registrar of Companies
"Securities Account"	:	The securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Shareholders"	:	Registered holders of Shares except that where the registered holder is CDP, the term "**Shareholders**" shall, in relation to such Shares and where the context admits, mean the persons named as Depositors in the Depository Register and whose Securities Accounts are credited with the Shares
"Share Purchase"	:	Purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate
"Share Purchase Mandate"	:	General mandate given by Shareholders to authorise the Board to purchase or otherwise acquire Shares in accordance with the terms set out in this Appendix as well as the rules and regulations set forth in the Companies Act and the Listing Manual
"Shares"	:	Ordinary shares in the capital of the Company
"SIC"	:	Securities Industry Council of Singapore
"Substantial Shareholder"	:	A person who has an interest in not less than 5% of the issued voting Shares of the Company
"Take-over Code"	:	The Singapore Code on Take-overs and Mergers, as may be amended or modified from time to time
"S$" and "cents"	:	Singapore dollars and cents respectively
"%"	:	Percentage or per centum

The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 81F of the Securities and Futures Act (Chapter 289) of Singapore.

The term "**treasury shares**" shall have the meaning ascribed to it in Section 4 of the Companies Act.

The term "**subsidiary**" shall have the meaning ascribed to it in Section 5 of the Companies Act.

DEFINITIONS

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

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

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

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

APPENDIX

THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

1 INTRODUCTION

1.1 We refer to:

(a) the notice of annual general meeting of the Company dated 6 April 2017 (the "**Notice**"), accompanying the FY2016 Annual Report, convening the 50th annual general meeting of the Company to be held on 28 April 2017 (the "**2017 AGM**"); and

(b) Ordinary Resolution No. 9 relating to the proposed renewal of the Share Purchase Mandate (as proposed in the Notice).

1.2 It is a requirement under the Companies Act that a company which wishes to purchase or otherwise acquire its own shares has to obtain the approval of its shareholders at a general meeting of the company. The Company proposes to seek the approval of the Shareholders at the forthcoming 2017 AGM for the renewal of the Share Purchase Mandate to authorise the Directors to buy back issued and fully paid Shares in accordance with the terms set out in this Appendix as well as the rules and regulations set forth in the Companies Act and the Listing Manual.

1.3 The purpose of this Appendix is to provide Shareholders with information relating to the proposed renewal of the Share Purchase Mandate.

2 RATIONALE FOR THE SHARE PURCHASE MANDATE

2.1 The Share Purchase Mandate will give the Company the flexibility to undertake Share Purchases at any time, subject to market conditions, during its validity period. The Directors believe that the Share Purchase Mandate will provide the Company with a mechanism to facilitate the return of any surplus cash in excess of the Group's working capital requirements in an expedient and cost-efficient manner. The Directors further believe that Share Purchases may also buffer short-term share price volatility and offset the effects of share price speculation. Where Shares are purchased by the Company and are held as treasury shares, it will also enable the Company to transfer the treasury shares for the purposes of the Company's employees' share option scheme.

2.2 If and when circumstances permit, the Directors will decide whether to effect the Share Purchases via On-Market Share Purchases or Off-Market Share Purchases, after taking into account the amount of surplus cash available, the then prevailing market conditions and the most cost effective and efficient approach.

2.3 The Share Purchases would be made only as and when the Directors consider it to be in the best interests of the Company and in appropriate circumstances which the Directors believe will not result in any material adverse effect on the liquidity and the orderly trading of the Shares, as well as the financial condition of the Group.

3 AUTHORITY AND LIMITS ON THE SHARE PURCHASE MANDATE

The authority and limits placed on the Share Purchases under the Share Purchase Mandate are set out below:–

3.1 Maximum number of Shares

(a) Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. In accordance with Rule 882 of the Listing Manual, the total number of Shares which may be purchased or acquired pursuant to the Share Purchase Mandate shall not exceed 10% of the total number of issued Shares (excluding treasury shares) as at the date of the 2017 AGM at which approval for the proposed renewal of the Share Purchase Mandate is being sought (the "**Approval Date**"). Under the Companies Act, any Shares which are held as treasury shares will be disregarded for the purpose of computing the 10% limit.

(b) For illustrative purposes only, on the basis of 836,667,121 issued Shares as at the Latest Practicable Date, and assuming that no further Shares are issued prior to the 2017 AGM, not more than 83,666,712 Shares (representing 10% of the total number of issued Shares as at that date) may be purchased by the Company pursuant to the proposed Share Purchase Mandate during the duration referred to in paragraph 3.2(a) below.

3.2 Duration of Authority

(a) Share Purchases may be made, at any time and from time to time, on and from the Approval Date up to:–

(i) the date on which the next annual general meeting of the Company is held or required by law to be held;

(ii) the date on which the Share Purchases are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Shareholders in a general meeting,

whichever is the earliest.

(b) The authority conferred on the Board by the Share Purchase Mandate to purchase Shares may be renewed at the next annual general meeting of the Company or at an extraordinary general meeting of the Company to be convened immediately after the conclusion or adjournment of the next annual general meeting.

3.3 Manner of Share Purchases

(a) Share Purchases may be made by way of:–

(i) an On-Market Share Purchase; and/or

(ii) an Off-Market Share Purchase.

(b) The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. However, an Off-Market Share Purchase effected in accordance with an equal access scheme must satisfy all the following conditions:–

(i) offers under the scheme are to be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(ii) all of those persons shall be given a reasonable opportunity to accept the offers made to them; and

(iii) the terms of all the offers shall be the same, except that there shall be disregarded:–

(1) differences in consideration attributable to the fact that the offers relate to Shares with different accrued dividend entitlements;

(2) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid (if applicable); and

(3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

(c) In addition, the Listing Manual provides that, in making an Off-Market Share Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:–

(i) the terms and conditions of the offer;

(ii) the period and procedures for acceptance;

(iii) the reasons for the proposed Share Purchase;

(iv) the consequences, if any, of Share Purchases that will arise under the Take-over Code or other applicable take-over rules;

(v) whether the Share Purchase, if made, could affect the listing of the Shares on the SGX-ST;

(vi) details of any Share Purchases made by the Company during the previous 12 months (whether On-Market Share Purchases or Off-Market Share Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such Share Purchases, where relevant, and the total consideration paid for such Share Purchases; and

(vii) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

3.4 Maximum Purchase Price

(a) The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors.

(b) However, the purchase price to be paid for the Shares pursuant to the Share Purchase Mandate must not exceed:–

(i) in the case of an On-Market Share Purchase, 105% of the Average Closing Price (as defined below) of the Shares; and

(ii) in the case of an Off-Market Share Purchase, 120% of the Average Closing Price of the Shares,

(the "**Maximum Price**").

(c) For the above purposes, "**Average Closing Price**" means the average of the closing market prices of a Share over the last 5 Market Days, on which transactions in the Shares were recorded, before the day on which the On-Market Share Purchase was made or, as the case may be, before the date of making an announcement by the Company of an offer for an Off-Market Share Purchase and deemed to be adjusted for any corporate action that occurs after the relevant 5 Market Days.

4 STATUS OF PURCHASED SHARES UNDER THE SHARE PURCHASE MANDATE

4.1 Under Section 76B of the Companies Act, any Share which is purchased shall, unless held as a treasury share, be deemed cancelled immediately on purchase, and all rights and privileges attached to that Share will expire on cancellation. All Shares purchased by the Company, unless held as treasury shares, will be automatically delisted by the SGX-ST, and (where applicable) all certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following the settlement of any such purchase. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

4.2 Some of the provisions on treasury shares under the Companies Act are summarised below:–

4.2.1 Maximum Holdings

The number of Shares held as treasury shares shall not at any time exceed 10% of the total number of issued Shares; and the Company shall be entered in the Register of Members or the Depository Register, as the case may be, as the member holding those Shares.

4.2.2 Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings; and for the purposes of the Companies Act, the Company shall be treated as having no right to vote in respect of treasury shares and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of the treasury shares. However, the allotment of Shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a greater or smaller number, as the case may be, is allowed so long as the total value of the treasury shares after the sub-division or consolidation is the same as before.

4.2.3 Disposal and Cancellation

Where Shares purchased or acquired by the Company are held as treasury shares, the Company may at any time:–

(a) sell the treasury shares (or any of them) for cash;

(b) transfer the treasury shares (or any of them) for the purposes of or pursuant to any share scheme, whether for the Company's employees, directors or other persons;

(c) transfer the treasury shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;

(d) cancel the treasury shares (or any of them); or

(e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

The Shares purchased under the Share Purchase Mandate will be held as treasury shares or cancelled by the Company taking into consideration the then prevailing circumstances and requirements of the Company at the relevant time.

In addition, under the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares, stating the following:

(i) date of the sale, transfer, cancellation and/or use;

(ii) purpose of such sale, transfer, cancellation and/or use;

(iii) number of treasury shares sold, transferred, cancelled and/or used;

(iv) number of treasury shares before and after such sale, transfer, cancellation and/or use;

(v) percentage of the number of treasury shares against the total number of Shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and

(vi) value of the treasury shares if they are used for a sale or transfer, or cancelled.

5 REPORTING REQUIREMENTS

5.1 Within 30 days of the passing of a Shareholders' resolution to approve or renew the Share Purchase Mandate, as the case may be, the Company shall lodge a copy of such resolution with the Registrar.

5.2 The Company shall lodge with the Registrar a notice of Share Purchase within 30 days of such Share Purchase. Such notification shall include the date of the purchases, the number of Shares purchased by the Company, the number of Shares cancelled, the number of treasury shares held, the Company's issued share capital before and after the purchases, the amount of consideration paid by the Company for the purchases, whether the Shares were purchased out of the profits or the capital of the Company and such other particulars as may be required in the prescribed form.

5.3 Within 30 days of the cancellation or disposal of treasury shares in accordance with the Companies Act, the Company shall lodge with the Registrar a notice of the cancellation or disposal of treasury shares with such particulars as may be required in the prescribed form.

6 SOURCE OF FUNDS

6.1 The Company may only apply funds for the Share Purchases in accordance with the applicable laws in Singapore. The Company may not purchase its Shares for a consideration other than in cash and in the case of an On-Market Share Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

6.2 The Company intends to use internal sources of funds or external borrowings, or a combination of both, to finance its Share Purchases.

6.3 The Companies Act stipulates that any purchases of Shares may be made out of the Company's capital and/or profits so long as the Company is solvent. Where the consideration paid by the Company for the Share Purchases is made out of profits, such consideration will correspondingly reduce the amount of profits available for the distribution of cash dividends by the Company. However, where the consideration paid by the Company for the Share Purchases is made out of capital, the amount of profits available for the distribution of cash dividends by the Company will not be reduced. The Companies Act further stipulates that a payment for such purchase of shares shall include any expenses (including brokerage or commission) incurred directly in the purchase.

7 FINANCIAL EFFECTS

7.1 The financial effects on the Company and the Group arising from the Share Purchases will depend on, *inter alia*, whether the Share Purchases are made by way of On-Market Share Purchases or Off-Market Share Purchases, the price paid for such Shares and whether the Shares are held in treasury or cancelled.

7.2 **For illustrative purposes only**, the financial effects on the Company and the Group arising from the Share Purchases, based on the audited financial statements of the Company and the Group for FY2016, are prepared assuming the following:–

(a) the Share Purchases comprised 83,666,712 Shares (representing the maximum 10% allowed under the Share Purchase Mandate of the 836,667,121 issued Shares excluding treasury shares, as at the Latest Practicable Date);

(b) in the case of On-Market Share Purchases, the Maximum Price was S$0.297 (being 5% above the Average Closing Price prior to the Latest Practicable Date) and accordingly, the maximum amount of funds (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) required for effecting such On-Market Share Purchases would amount to approximately S$24.8 million;

(c) in the case of Off-Market Share Purchases, the Maximum Price was S$0.340 (being 20% above the Average Closing Price prior to the Latest Practicable Date) and accordingly, the maximum amount of funds (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) required for effecting such Off-Market Share Purchases would amount to approximately S$28.4 million;

(d) the Share Purchases were made out of the Company's capital and profits as the Company has decided that any Share Purchases made under the Share Purchase Mandate will be made out of capital and profits;

(e) the Share Purchases took place on 1 January 2017 and the Shares purchased were (i) cancelled; or (ii) held as treasury shares; and

(f) the Share Purchases were financed by a combination of internal source of funds and external short-term bank borrowings.

(i) On-Market Share Purchases

	Group			Company		
		After Share Purchases			After Share Purchases	
	Before Share Purchases S$'000	Share Purchases cancelled S$'000	Share Purchases held as Treasury Shares S$'000	Before Share Purchases S$'000	Share Purchases cancelled S$'000	Share Purchases held as Treasury Shares S$'000
As at 31 December 2016						
Share capital	140,578	115,729	140,578	140,578	115,729	140,578
Other reserves	(16,949)	(16,949)	(16,949)	74	74	74
Retained earnings	55,168	55,168	55,168	1,936	1,936	1,936
Treasury shares	–	–	(24,849)	–	–	(24,849)
	178,797	153,948	153,948	142,588	117,739	117,739
Non-controlling interests	4,945	4,945	4,945	–	–	–
Total Equity	183,742	158,893	158,893	142,588	117,739	117,739
Current assets	101,342	76,493	76,493	105,119	80,270	80,270
Current liabilities	(5,677)	(5,677)	(5,677)	(911)	(911)	(911)
Non-current assets	88,762	88,762	88,762	38,380	38,380	38,380
Non-current liabilities	(685)	(685)	(685)	–	–	–
Net Asset Value (NAV)	183,742	158,893	158,893	142,588	117,739	117,739
Total borrowings	–	–	–	–	–	–
Less: Cash and cash equivalents	57,184	32,335	32,335	51,473	26,624	26,624
Less: Other deposits with financial institutions	–	–	–	–	–	–
Net debt(1)	(57,184)	(32,335)	(32,335)	(51,473)	(26,624)	(26,624)
Profit after tax and non-controlling interests	12,563	12,563	12,563	8,727	8,727	8,727
Number of Shares outstanding as at 31 December 2016 ('000)	836,667	753,000	753,000	836,667	753,000	753,000
Weighted average number of Shares as at 31 December 2016						
– Basic ('000)	836,667	753,000	753,000	836,667	753,000	753,000
– Diluted ('000)	836,667	753,000	753,000	836,667	753,000	753,000
Financial Ratios						
NAV per share(2) (cents)	21.37	20.44	20.44	17.04	15.64	15.64
Gross debt gearing(3) (times)	–	–	–	–	–	–
Net debt gearing(4) (times)	(0.32)	(0.21)	(0.21)	(0.36)	(0.23)	(0.23)
Current ratio(5) (times)	17.85	13.47	13.47	115.39	88.11	88.11
EPS(6) (cents)						
– Basic	1.50	1.67	1.67	1.04	1.16	1.16
– Diluted	1.50	1.67	1.67	1.04	1.16	1.16

Notes:–

(1) "Net debt" represents total borrowings less cash and cash equivalents and other deposits with financial institutions.
(2) "NAV per share" represents net asset value after non-controlling interests divided by the number of Shares as at 31 December 2016.
(3) "Gross debt gearing" represents total borrowings divided by shareholders' funds.
(4) "Net debt gearing" represents net debt divided by shareholders' funds.
(5) "Current ratio" represents current assets divided by current liabilities.
(6) "Basic EPS" represents profit after tax and non-controlling interests divided by the weighted average number of Shares as at 31 December 2016.

(ii) Off-Market Share Purchases

	Group			Company		
		After Share Purchases			After Share Purchases	
	Before Share Purchases S$'000	Share Purchases cancelled S$'000	Share Purchases held as Treasury Shares S$'000	Before Share Purchases S$'000	Share Purchases cancelled S$'000	Share Purchases held as Treasury Shares S$'000
As at 31 December 2016						
Share capital	140,578	112,131	140,578	140,578	112,131	140,578
Other reserves	(16,949)	(16,949)	(16,949)	74	74	74
Retained earnings	55,168	55,168	55,168	1,936	1,936	1,936
Treasury shares	–	–	(28,447)	–	–	(28,447)
	178,797	150,350	150,350	142,588	114,141	114,141
Non-controlling interests	4,945	4,945	4,945	–	–	–
Total Equity	183,742	155,295	155,295	142,588	114,141	114,141
Current assets	101,342	72,895	72,895	105,119	76,672	76,672
Current liabilities	(5,677)	(5,677)	(5,677)	(911)	(911)	(911)
Non-current assets	88,762	88,762	88,762	38,380	38,380	38,380
Non-current liabilities	(685)	(685)	(685)	–	–	–
Net Asset Value (NAV)	183,742	155,295	155,295	142,588	114,141	114,141
Total borrowings	–	–	–	–	–	–
Less: Cash and cash equivalents	57,184	28,737	28,737	51,473	23,026	23,026
Less: Other deposits with financial institutions	–	–	–	–	–	–
Net debt[(1)]	(57,184)	(28,737)	(28,737)	(51,473)	(23,026)	(23,026)
Profit after tax and non-controlling interests	12,563	12,563	12,563	8,727	8,727	8,727
Number of Shares outstanding as at 31 December 2016 ('000)	836,667	753,000	753,000	836,667	753,000	753,000
Weighted average number of Shares as at 31 December 2016						
– Basic ('000)	836,667	753,000	753,000	836,667	753,000	753,000
– Diluted ('000)	836,667	753,000	753,000	836,667	753,000	753,000
Financial Ratios						
NAV per share[(2)] (cents)	21.37	19.97	19.97	17.04	15.16	15.16
Gross debt gearing[(3)] (times)	–	–	–	–	–	–
Net debt gearing[(4)] (times)	(0.32)	(0.19)	(0.19)	(0.36)	(0.20)	(0.20)
Current ratio[(5)] (times)	17.85	12.84	12.84	115.39	84.16	84.16
EPS[(6)] (cents)						
– Basic	1.50	1.67	1.67	1.04	1.16	1.16
– Diluted	1.50	1.67	1.67	1.04	1.16	1.16

Notes:–

(1) "Net debt" represents total borrowings less cash and cash equivalents and other deposits with financial institutions.
(2) "NAV per share" represents net asset value after non-controlling interests divided by the number of Shares as at 31 December 2016.
(3) "Gross debt gearing" represents total borrowings divided by shareholders' funds.
(4) "Net debt gearing" represents net debt divided by shareholders' funds.
(5) "Current ratio" represents current assets divided by current liabilities.
(6) "Basic EPS" represents profit after tax and non-controlling interests divided by the weighted average number of Shares as at 31 December 2016.

The financial effects set out above are purely for illustrative purposes only. Although the Share Purchase Mandate would authorise the Company to buy back up to 10% of the total number of issued Shares (excluding treasury shares) as at the date that the Share Purchase Mandate is renewed, the Company may not necessarily buy back or be able to buy back 10% of the total number of issued Shares (excluding treasury shares) in full.

8 TAX IMPLICATIONS ARISING FROM SHARE PURCHASES

Shareholders who are in doubt as to their respective tax positions or any tax implications of Share Purchases by the Company, or who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

9 LISTING MANUAL RELATING TO SHARE PURCHASES

9.1 The Listing Manual specifies that a listed company shall notify the SGX-ST of any On-Market Share Purchases not later than 9.00 a.m. on the Market Day following the day on which the On-Market Share Purchase was made, and of any Off-Market Share Purchases not later than 9.00 a.m. on the second Market Day after the close of acceptance of the offer for the Off-Market Share Purchase. The notification of such Share Purchases to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company in a timely fashion the necessary information which will enable the Company to make the notifications to the SGX-ST.

9.2 While the Listing Manual does not expressly prohibit purchase of shares by a listed company during any particular time or times, the Company will not undertake Share Purchases after a price sensitive development has occurred or has been the subject of a consideration and/or a decision of the Board until such time as the price sensitive information has been publicly announced. In particular, the Company will not buy any Shares during the period commencing 2 weeks before the announcement of the Company's results for each of the first, second and third quarters of its financial year, or one month before the announcement of the Company's annual results, as the case may be, and ending on the date of announcement of the relevant results.

9.3 The Listing Manual requires a listed company to ensure that at least 10% of the total number of issued Shares excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by the public. The "public", as defined under the Listing Manual, are persons other than the directors, chief executive officer, substantial shareholders or controlling shareholders of the Company or its subsidiaries, as well as the associates of such persons. Based on the Registers of Directors' Shareholdings maintained by the Company and its subsidiaries and the Register of Substantial Shareholders maintained by the Company and the information received by the Company as at the Latest Practicable Date, there are 400,219,196 Shares held by public Shareholders, representing approximately 47.83% of the total number of issued Shares. Assuming the Company exercises the Share Purchase Mandate in full and purchases 10% of the total number of issued Shares excluding treasury shares through On-Market Share Purchases from the public, the number of Shares in the hands of the public would be reduced to approximately 316,552,484 Shares, representing approximately 42.04% of the total number of issued Shares excluding treasury shares. Accordingly, the Company is of the view that there is a sufficient number of Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares up to the full 10% limit pursuant to the Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST. While the Share Purchase Mandate would authorise Share Purchases up to a maximum of 10% limit, Shareholders should note that Share Purchases may not be carried out up to the full 10% limit as authorised, or at all.

9.4 In undertaking any Share Purchases, the Directors will use their best efforts to ensure that, notwithstanding such Share Purchases, a sufficient float held by the public will be maintained so that the Share Purchases will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

10 TAKE-OVER CODE IMPLICATIONS ARISING FROM SHARE PURCHASES

10.1 The resultant increase in the percentage of voting rights held by a Shareholder and persons acting in concert with him, following any Share Purchases, will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code ("**Rule 14**"). Consequently, depending on the number of Shares purchased by the Company and the Company's total number of issued Shares at that time, a Shareholder or group of Shareholders acting in concert with each other could obtain or consolidate effective control of the Company and could become obliged to make an offer under Rule 14.

10.2 Under the Take-over Code, persons acting in concert or concert parties comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert, namely, (i) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts), and (ii) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies and companies of which such companies are associated companies, all with one another, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the aforesaid for the purchase of voting rights. For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

10.3 The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Rule 14 and Appendix 2 of the Take-over Code ("**Appendix 2**").

10.4 In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such directors and their concert parties would increase to 30% or more, or, in the event that such directors and their concert parties hold between 30% and 50% of the voting rights in the Company, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of 6 months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

10.5 Under Appendix 2, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the voting rights in the Company, the voting rights of such Shareholder would increase by more than 1% in any period of 6 months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

10.6 Shareholders and their concert parties will be subject to the provisions of Rule 14 if they acquire any Shares after the Company's Share Purchases. For the purpose of the Take-over Code, an increase in the percentage of voting rights as a result of the Share Purchases will be taken into account in determining whether a Shareholder and persons acting in concert with him have increased their voting rights by more than 1% in any period of 6 months.

10.7 If the Company decides to cease the purchase of Shares before it has purchased in full such number of Shares authorised by its Shareholders at the 2017 AGM, the Company will promptly inform its Shareholders of such cessation. This will assist Shareholders to determine if they can buy any more Shares without incurring an obligation under Rule 14.

10.8 Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders, as at the Latest Practicable Date, the shareholdings of the Directors and the Substantial Shareholders before and after the purchase of Shares pursuant to the Share Purchase Mandate, assuming (i) the Company purchases the maximum 10% of the total number of issued Shares (excluding treasury shares), and (ii) there is no change in the number of Shares held by the Directors and the Substantial Shareholders or which they are deemed interested in, are set out in paragraph 12 of this Appendix.

10.9 Shareholders are advised to consult their professional advisers and/or the SIC and/or other relevant authorities at the earliest opportunity as to whether an obligation on their part, if any, to make a mandatory take-over offer under the Take-over Code would arise by reason of any Share Purchases by the Company.

11 DETAILS OF SHARE PURCHASES DURING THE PREVIOUS 12 MONTHS

The Company did not purchase any Shares within the 12 months preceding the Latest Practicable Date.

12 INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or Substantial Shareholders has any interest, direct or indirect, in the proposed renewal of the Share Purchase Mandate (other than through their respective shareholdings in the Company).

12.1 Directors

The interests of the Directors in the Shares as recorded in the Register of Directors' Shareholdings as at the Latest Practicable Date as set out below:

Director	Before Share Purchases (No. of Shares) Direct Interest	Deemed Interest	Total Interest	Before Share Purchases %(1)	After Share Purchases %(2)	Number of Shares comprised in outstanding Warrants
Tong Kooi Ong	–	213,561,000	213,561,000	25.52	28.36	213,561,000
Koh Wan Kai	–	–	–	–	–	–
Khoo Hsien Ming Kevin	–	–	–	–	–	–
Tong Ian	2,500,000	–	2,500,000	0.30	0.33	1,700,000
Gary Ho Kuat Foong	–	–	–	–	–	–
Ng Shin Ein	–	–	–	–	–	–
Kalimullah Bin Masheerul Hassan	–	30,000,000	30,000,000	3.59	3.98	30,000,000
Ong Pang Liang	5,000,000	–	5,000,000	0.60	0.66	5,000,000
Garson David Lee	–	1,300,000	1,300,000	0.16	0.17	1,300,000

Notes:–

(1) As a percentage of the total number of issued Shares as at the Latest Practicable Date, comprising 836,667,121 Shares (excluding treasury shares).

(2) As a percentage of the total number of issued Shares, comprising 836,667,121 Shares (assuming that the Company purchases the maximum number of 83,666,712 Shares under the Share Purchase Mandate and excluding treasury shares).

(3) The Company has an option scheme, known as the "UPP Employee Share Option Scheme". As at the Latest Practicable Date, no options have been granted under the option scheme.

12.2 Substantial Shareholders

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

Substantial Shareholder	Before Share Purchases (No. of Shares) Direct Interest	Deemed Interest	Total Interest	Before Share Purchases %[(1)]	After Share Purchases %[(2)]	Number of Shares comprised in outstanding Warrants
Lim Eng Hock	183,246,925	–	183,246,925	21.90	24.34	183,246,925
Tong Kooi Ong	–	213,561,000[(3)]	213,561,000	25.52	28.36	213,561,000

Notes:–

(1) As a percentage of the total number of issued Shares as at the Latest Practicable Date, comprising 836,667,121 Shares (excluding treasury shares).

(2) As a percentage of the total number of issued Shares, comprising 836,667,121 Shares (assuming that the Company purchases the maximum number of 83,666,712 Shares under the Share Purchase Mandate and excluding treasury shares).

(3) Issued Shares held in the name of the registered holder, Phileo Capital Limited.

13 DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the interests of the Company and accordingly recommend that Shareholders vote in favour of Ordinary Resolution No. 9 relating to the proposed renewal of the Share Purchase Mandate to be proposed at the 2017 AGM.

14 DIRECTORS' RESPONSIBILITY STATEMENT

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

15 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's registered office during normal business hours from the date of this Appendix up to the date of the 2017 AGM:

(a) FY2016 Annual Report; and

(b) the existing constitution of the Company.

Yours faithfully
For and on behalf of the Board of Directors of
UPP HOLDINGS LIMITED

Tong Kooi Ong
Executive Chairman and Chief Executive Officer

6 April 2017

PROXY FORM

UPP Holdings Limited
(Company Registration No.196700346M)

ANNUAL GENERAL MEETING TO BE HELD ON 28 APRIL 2017
(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 in effective 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, 28 April 2017 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 across ("**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 2016		
3	Approval of Directors' fees for the financial year ending 31 December 2017		
4	Re-election of Mr. Koh Wan Kai as Director		
5	Re-election of Mr. Tong Ian as Director		
6	Re-election of Mr. Garson David Lee 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		

Dated this ________ day of ______________ 2017

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, the appointment shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

   (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 forty-eight (48) 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.

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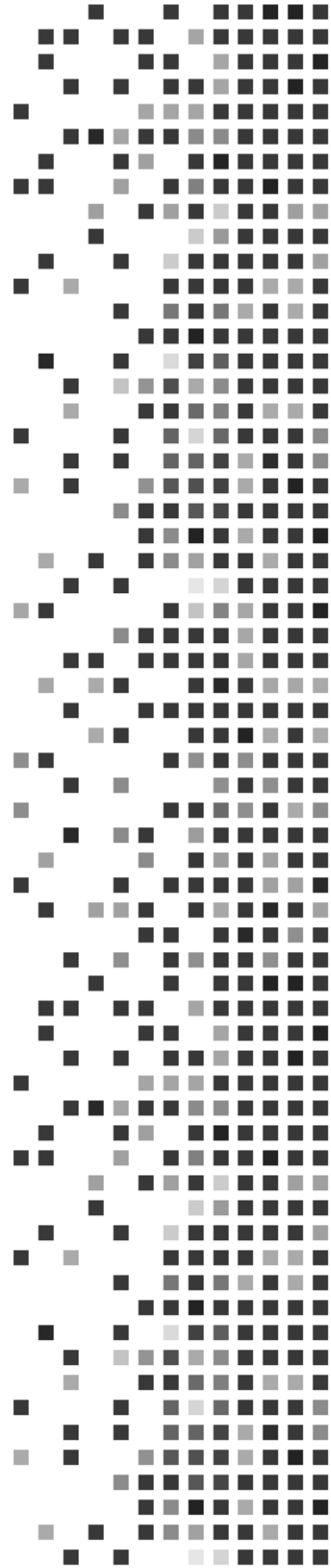

UPP HOLDINGS LIMITED
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