


Asset Acquisitions and Disposals::Proposed Acquisitions of Shares and Debt as an Interested Person Transaction**Issuer & Securities**

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Attachments	 UPP Proposed Acquisition of Shares and Debt as an Interest Person Transaction.pdf Total size =110K
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PROPOSED ACQUISITIONS OF SHARES AND DEBT AS AN INTERESTED PERSON TRANSACTION

1. INTRODUCTION

1.1 The board of directors (the “**Board**” or “**Directors**”) of UPP Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce that the Company has entered into a sale and purchase agreement (the “**SPA**”) with Genghis S.a.r.l. (“**Genghis**”) to acquire the following shares held by Genghis in Kublai Canada Limited (the “**Target**”):

- (a) 10 common shares (the “**Common Shares**”) without par value in the authorised share structure of the Target; and
- (b) 9,216,100 preferred shares (the “**Preferred Shares**”) with a par value of C\$1.00 each in the authorised share structure of the Target,

(the “**Common Shares**” and “**Preferred Shares**” collectively, the “**Purchased Shares**”).

The Purchased Shares are the only issued and outstanding shares in the authorized share structure of the Target.

In addition, the Company intends to acquire the debt owed by the Target to Genghis in the principal amount of Canadian Dollars (“**C\$**”) 13,824,049.60 bearing interest at a rate of 9% per annum (the “**Purchased Debt**”).

(the acquisitions of the Purchased Shares and Purchased Debt collectively, the “**Proposed Acquisitions**”).

1.2 The aggregate consideration payable by the Company for the Proposed Acquisitions shall be Canadian Dollars (“**C\$**”) 27,691,140, as more particularly described in paragraph 5.1 below.

1.3 The Target in turn holds 18,460,760 common shares (the “**Taiga Shares**”) representing approximately 15.8% of the authorised share structure of Taiga Building Products Ltd. (“**Taiga**”), a company in which the Company has an existing interest of approximately 49.0%. Accordingly, upon completion of the Proposed Acquisitions, the Company will have an aggregate interest of approximately 64.8% in the authorised share structure of Taiga.

2. INFORMATION ON THE TARGET

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

3. RATIONALE FOR THE PROPOSED ACQUISITIONS

The Company had on 31 January 2017 (Pacific Standard Time), through its wholly-owned subsidiary UPP Investments Canada Limited, acquired *inter alia* 18,908,208 common shares representing approximately 58.34% of the capital of Taiga. Since the Company's acquisition of Taiga, the business carried out by Taiga has become and continues to be one of the Group's core businesses.

As announced by the Company on 11 November 2017, pursuant to Taiga's restructuring of its then-outstanding 14% subordinated unsecured notes in the capital of Taiga which were due in 2020 (the "**Taiga Notes Restructuring**"), holders of such notes had elected to exchange their notes for an aggregate of C\$12,500,000 principal amount of new 7% senior notes of Taiga due 5 years from the date of issuance and 84,408,831 Taiga Shares. As a result of the foregoing, the level of the Company's shareholdings of outstanding Taiga Shares decreased from 58.3% to approximately 49.0%.

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

4. THE PROPOSED ACQUISITIONS AS AN INTERESTED PERSON TRANSACTION

- 4.1 Genghis is controlled by a trust of which Mr Tong Kooi Ong, a director of the Company, is the sole beneficiary. Accordingly, Mr Tong Kooi Ong is the beneficial owner of the Purchased Shares.
- 4.2 Genghis, being an associate of Mr Tong Kooi Ong, is an "interested person" in relation to the Company, and the Company is an "entity at risk" (both terms as defined in Chapter 9 of the Listing Manual). As the Company will be acquiring Genghis' interests in the Target, the Proposed Acquisitions will involve a transaction between the Company (as an entity at risk) and Genghis (as an interested person).
- 4.3 Based on the latest audited consolidated financial statements of the Group for FY2016, the audited consolidated NTA of the Group was approximately S\$183,742,000. For the purposes of Rule 905 of the Listing Manual, the value of the Proposed Acquisitions of C\$27,691,140 is approximately 15.2% of the latest audited consolidated NTA of the Group. As such, the Proposed Genghis Acquisition is subject to the approval of the Company's shareholders (the "**Shareholders**") for the purposes of Chapter 9 of the Listing Manual at an extraordinary general meeting (the "**EGM**") to be convened.
- 4.4 An independent financial adviser ("**IFA**") will be appointed by the Company to advise the independent Directors on the Proposed Acquisitions. The Audit and Risk Management Committee of the Company will consider the opinion from the IFA before forming its view, which will be disclosed in the circular to Shareholders (the "**Circular**"), on whether the Proposed Acquisitions are on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.
- 4.5 Save for the Proposed Acquisitions, there were no transactions with any interested persons in the current financial year as at the date of this Announcement.

5. MATERIAL TERMS OF THE PROPOSED ACQUISITIONS

5.1 Purchase Consideration

The purchase consideration for the Proposed Acquisitions was calculated and derived by multiplying the number of common shares in the authorised share structure of Taiga (the “**Taiga Shares**”) held by the Target (being 18,460,760) by the price per Taiga Share (being C\$1.50 as agreed between the Parties).

The aggregate purchase consideration for the Proposed Acquisitions shall be C\$27,691,140 payable to Genghis by a combination of cash in the amount of C\$8,786,050.88 and the issuance of 73,439,000 Shares (as defined below) (collectively, the “**Consideration Shares**”) at an issue price of Singapore Dollar (“**S\$**”) 0.26 per Consideration Share, and shall be allocated as follows and in the order outlined below:

- (a) firstly, to the Purchased Debt, C\$13,824,049, payable by a combination of cash in the amount of C\$8,786,050.88 and the issuance of 19,570,685 Consideration Shares, having an aggregate value of S\$5,088,378.10 (which shall be equivalent to approximately C\$5,037,998.12 based on an agreed exchange rate of C\$1.00: S\$1.01);
- (b) secondly, to the Preferred Shares, C\$9,216,100, being C\$1.00 per Preferred Share, payable by the issuance of 35,801,004 Consideration Shares having an aggregate value of S\$9,308,261.04 (based on an agreed exchange rate of C\$1.00: S\$1.01); and
- (c) thirdly, to the Common Shares, C\$4,650,991, being C\$465,099.1 per Common Share, payable by the issuance of 18,067,311 Consideration Shares having an aggregate value of S\$4,697,500.86 (based on an agreed exchange rate of C\$1.00: S\$1.01).

5.2 Conditions Precedent

Closing Date

The Company and Genghis (collectively, the “**Parties**”) shall complete the Proposed Acquisitions on the third business day (being a day on which the Toronto Stock Exchange is open for business, except Saturdays, Sunday and statutory holidays in the province of British Columbia, Canada, Singapore or Luxembourg) following the satisfaction or waiver of the conditions precedent contained in the SPA or such other day as agreed by the Parties (the “**Closing Date**”).

Mutual Conditions

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

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

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

Conditions for the benefit of the Company

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

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

- (iv) such other documentation as the Company reasonably requests on a timely basis in order to establish the completion of the Proposed Acquisitions and the taking of all corporate proceedings in connection with the Proposed Acquisitions, in each case in form and substance satisfactory to the Company, acting reasonably.

Conditions for the benefit of Genghis

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

- (a) the SIC has granted Genghis and its concert parties, and not having revoked or repealed such grant, a waiver of their obligation to make a mandatory offer under Rule 14 of the Singapore Code on Takeovers and Mergers (the “**Code**”) for the ordinary shares in the capital of the Company (the “**Shares**”) not held by them and their concert parties and from having to comply with the requirements of Rule 14 of the Code arising from the issuance of the Consideration Shares subject to (i) any conditions that the SIC may impose which are reasonably acceptable to Genghis; and (ii) the independent shareholders of the Company approving at the EGM the whitewash resolution for the waiver of the rights of the independent Shareholders to receive a mandatory takeover offer from Genghis and persons acting in concert with it for all the Shares not already owned by them and persons acting in concert with them (the “**Whitewash Resolution**”), provided that they and any persons not independent of them, abstain from voting on the Whitewash Resolution at the EGM;
- (b) the Whitewash Resolution has been duly passed at the EGM;
- (c) the Company has caused to be delivered to Genghis or such person as Genghis may direct the following:
 - (i) the debt assignment and assumption agreement among Genghis, the Target and the Company, duly signed by the Company; and
 - (ii) such other documentation as Genghis reasonably requests on a timely basis in order to establish the completion of the Proposed Acquisitions and the taking of all corporate proceedings in connection with the Proposed Acquisitions, in each case in form and substance satisfactory to Genghis, acting reasonably; and
- (d) payment of the aggregate consideration of C\$27,691,140.

6. WHITEWASH RESOLUTION

As at the date of this announcement, Genghis and its concert parties own in aggregate approximately 25.31% of the Shares.

For illustrative purposes only, the aggregate shareholding interest of Genghis and its concert parties upon completion of the Proposed Acquisitions (and the issuance of the Consideration Shares to Genghis), will increase from approximately 25.31% to 31.09% of the enlarged issued share capital of the Company.

In the circumstance described above, Genghis and its concert parties will then be required under the Code to make a mandatory general offer for the Shares not already owned or controlled by them pursuant to Rule 14.1 of the Code unless the said obligation is waived by SIC and the Whitewash Resolution is approved by the independent Shareholders at the EGM.

An application will be made to the SIC for a waiver of the obligations of Genghis and its respective concert parties to make a mandatory general offer for the Company under Rule 14.1 of the Code as a result of the issuance of the Consideration Shares pursuant to the Proposed Acquisitions.

7. SOURCE OF FUNDS FOR THE PROPOSED ACQUISITIONS

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

8. FINANCIAL INFORMATION AND IMPACT OF THE PROPOSED ACQUISITIONS

For the purposes of illustration only and based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2016 (“FY 2016”), the financial effects of the Proposed Acquisitions are as follows:

(a) Earnings per Share (“EPS”)

Assuming that the Proposed Acquisitions were completed on 1 January 2016, the effect of the Proposed Acquisitions on the EPS of the Group for FY2016 will be as follows:-

	Before the Proposed Acquisitions	After the Proposed Acquisitions
Net profit attributable to the shareholders of the Company (S\$'000)	12,563	15,919 ⁽¹⁾
Number of Shares	836,667,121	910,106,121
EPS (cents)	1.50	1.75

Note:

- (1) The figure has incorporated a pro-forma restatement of Taiga's income statement assuming the Taiga Notes Restructuring was completed on 1 January 2016.

(b) Net Tangible Assets (“NTA”)

Assuming that the Proposed Acquisitions were completed on 31 December 2016, the effect of the Proposed Acquisitions on the NTA of the Group for FY2016 will be as follows:

	Before the Proposed Acquisitions	After the Proposed Acquisitions
NTA attributable to the shareholders of the Company (S\$'000)	178,797	183,524 ⁽¹⁾
Number of Shares	836,667,121	910,106,121
NTA per Share (cents)	21.37	20.17

Note:

- (1) The figure has incorporated a pro-forma restatement of Taiga's balance sheet assuming the Taiga Notes Restructuring was completed on 31 December 2016.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

10. EXTRAORDINARY GENERAL MEETING AND CIRCULAR TO SHAREHOLDERS

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

BY ORDER OF THE BOARD

Khoo Hsien Ming, Kevin
Executive Director

23 March 2018