

Issuer: UPP Holdings Limited

Security: UPP Holdings Limited

Meeting details:

Date: 28 April 2017

Time: 10:30H

Venue: Nordic Conference Room, 1st Floor, No. 3 International Business Park, Nordic European Centre, Singapore 609927

Company Description

UPP Holdings Limited, an investment holding company, manufactures and sells paper and paper packaging products in Singapore, Malaysia, and internationally. The company operates through three segments: Paper Mill, Power, and Others. It offers industrial grade papers, such as testliner, corrugating medium, chip board, core board, and recycled waste paper. The company also trades in recycled fibers; rents and manages properties; and provides green technology and environmental solutions. In addition, it designs, operates, and maintains a 50 megawatt gas-fired electricity generating plant in Ywama, Myanmar, which sells its electricity to the Myanmar Government. The company was formerly known as United Pulp & Paper Company Limited. The company was founded in 1967 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=U09)

Q1. As seen in the segment breakdown in the Chairman and CEO's Statement (page 4 of the annual report), the segment revenue and segment profit from the paper mill were the highest in six years, despite the weaker Malaysian ringgit. The plant has a capacity of 90,000 tonnes of paper per year after additional investment of RM2.4 million was made in 2015.

However, it was also said that the paper segment is "approaching the limits of our capacity, with the current plant and equipment".

The current plant has an EBITDA margins of over 20% and Return On Assets ("ROA") of over 10%.

- a) **Is the group looking to expand the paper manufacturing business in Malaysia? What is the group's market share in the recycled paper sector?**
- b) **Can management help shareholders understand how much a new plant (say, of 90,000 tonnes) would cost?**
- c) **Can management also help shareholders understand if it is feasible (logistically and economically) to export paper products to other countries?**

Q2. The Power Generation business in Myanmar was the largest contributor to the group's profit in 2016. The Chairman and CEO has highlighted that operation performance has improved even further and the plant delivered on its contractual obligations.

- a) **Can shareholders get better clarity of how often the generators have to go through a major overhaul? What are the costs for a major overhaul?**
- b) **How long would each major overhaul of the generator take and what is the operational impact? Will it lead to any disruption? Will any maintenance and overhaul work cause the plant to not be able to meet its contractual obligations of 350 million kWh?**

Q3. The group also has its factory at 35 Tuas View Crescent that has been left vacant since 2014. In Note 11 (page 74 – Assets held-for-sale), it is shown that the current book value of the property is \$7.75 million as at 31 December 2016.

- a) **With active programmes in place to locate a buyer, can management let shareholders know what is the estimated fair value of the factory?**
- b) **What has been the main hurdle in trying to sell the factory?**