AVARGA LIMITED
(Formerly known as UPP Holdings Limited)
(Company Registration No.: 196700346M)

Unaudited Financial Statements And Dividend Announcement for the First Quarter ended 31 March 2018

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS ANNOUNCEMENTS

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year

1(a)(i) Statement of comprehensive income for the first quarter ended 31 March 2018

		Group		
	Note	**1st quarter ended 31 March 2018**	**1st quarter ended 31 March 2017***	**Increase/ (decrease)**
		S$'000	S$'000	%
Revenue	(a)	353,849	232,737	52
Cost of sales	(b)	(317,350)	(217,549)	46
Gross profit		36,499	15,188	140
Other losses, net		(3,903)	(2,075)	88
Distribution expenses		(6,469)	(4,444)	46
Selling and administrative expenses		(18,149)	(12,397)	46
Finance expenses		(1,703)	(2,631)	(35)
Profit/(loss) before income tax		6,275	(6,359)	nm
Income tax expense		(2,093)	2,674	nm
Net profit/(loss)	(c)	4,182	(3,685)	nm
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss:				
Financial assets, at FVOCI / Available-for-sale				
- Fair value (losses)/gains		(175)	258	nm
Currency translation differences arising from consolidation				
- Losses		(1,253)	(1,694)	(26)
Other comprehensive loss, net of tax		(1,428)	(1,436)	(1)
Total comprehensive income /(loss)		2,754	(5,121)	nm
Profit/(loss) attributable to:				
Equity holders of the Company		1,018	(1,616)	nm
Non-controlling interests		3,164	(2,069)	nm
		4,182	(3,685)	nm
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company		1,964	(3,579)	nm
Non-controlling interests		790	(1,542)	nm
		2,754	(5,121)	nm

* The results of 1Q2017 has been retrospectively adjusted to reflect the fair values of assets and liabilities of Taiga Building Products Ltd. upon finalisation of the purchase price allocation ("PPA") exercise in January 2018.

	S$'000
Net profit for 1Q2017 (as previously reported)	3,835
Effect of PPA adjustments	(7,520)
Net loss for 1Q2017 as per above (as restated)	(3,685)

The Group's net profit was S$4.2 million for 1Q2018 as compared with loss of S$3.7 million for 1Q2017. The loss in the previous corresponding period was due to fair value expenses of S$7.5 million that had resulted from the fair value exercise of Taiga at the date of acquisition. The fair value expense was mainly related to Taiga's inventories, which were revalued upward by S$8.5 million at the date of acquisition on 31 January 2017. The incremental value was recognised as an additional cost of sales to the Group when these revalued inventories were subsequently sold in the previous corresponding quarter.

Footnotes:

(a) Revenue comprises the following:

	Group		
	1st quarter ended 31 March 2018	**1st quarter ended 31 March 2017***	**Increase/ (decrease)**
	S$'000	S$'000	%
Sales of goods			
- Paper products	13,954	13,039	7
- Building products	337,353	216,022	56
Finance income	1,224	1,527	(20)
Operating and maintenance income	1,318	2,149	(39)
	353,849	232,737	52

(b) The cost of sales includes the following:

	Group		
	1st quarter ended 31 March 2018	**1st quarter ended 31 March 2017***	**Increase/ (decrease)**
	S$'000	S$'000	%
Cost of goods sold			
- Paper products	10,844	10,689	1
- Building products	305,387	205,450	49
Operating and maintenance fees	922	1,183	(22)
Others	197	227	(13)
	317,350	217,549	46

(c) Profit/(loss) for the period includes the following:

	Group		
	1st quarter ended 31 March 2018	**1st quarter ended 31 March 2017***	**Increase/ (decrease)**
	S$'000	S$'000	%
Depreciation of property, plant and equipment	(1,849)	(1,473)	26
Amortisation of intangible assets	(1,136)	(776)	46
Amortisation of deferred gain	100	68	47
Loss on disposal of property, plant and equipment	-	(148)	nm
Gain on disposal of assets held-for-sale	-	1,161	nm
Bad debt recovered	7	74	(91)
Allowance for impairment of trade receivables	(417)	-	nm
Inventories written back/(down)	89	(251)	nm
Foreign exchange loss, net	(4,024)	(3,719)	8
Interest income	21	28	(25)
Interest expense	(1,703)	(2,631)	(35)
Net fair value gain/(loss) on derivatives	33	(30)	nm

nm - not meaningful

* The results of 1Q2017 has been retrospectively adjusted to reflect the fair values of assets and liabilities of Taiga Building Products Ltd. upon finalisation of the purchase price allocation ("PPA") exercise in January 2018.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	31/03/2018	**31/12/2017**	**31/03/2018**	**31/12/2017**
	S$'000	S$'000	S$'000	S$'000
Non-current Assets				
Property, plant and equipment	90,672	92,069	7	8
Investments in subsidiary corporations	-	-	20,533	20,533
Financial assets, at FVOCI	3,092	3,267	-	-
Service concession receivables**	25,463	28,608	-	-
Other receivables	-	-	12,300	16,713
Goodwill on consolidation	21,501	22,538	-	-
Intangible assets	24,767	27,125	-	-
Deferred income tax assets	1,281	184	-	-
Total Non-current Assets	166,776	173,791	32,840	37,254
Current Assets				
Inventories	163,517	138,171	-	-
Service concession receivables**	15,613	15,910	-	-
Trade receivables	167,828	126,953	69	176
Other receivables	1,539	1,366	110,272	91,719
Prepaid operating expenses	2,456	2,512	37	24
Cash and bank balances	21,038	38,701	7,177	25,100
	371,991	323,613	117,555	117,019
Assets held-for-sale	7,742	7,742	-	-
Total Current Assets	379,733	331,355	117,555	117,019
Current Liabilities				
Trade payables and accruals	(83,881)	(83,954)	(1,233)	(1,547)
Other payables	(131)	(225)	(97)	(79)
Derivatives financial instruments	(5)	(38)	-	-
Revolving credit facility	(117,870)	(58,280)	-	-
Bank borrowings	(14,000)	(34,086)	-	-
Finance lease liabilities	(2,388)	(2,490)	-	-
Income tax payables	(8,085)	(4,649)	-	-
Total Current Liabilities	(226,360)	(183,722)	(1,330)	(1,626)
Net Current Assets	153,373	147,633	116,225	115,393
Non-current Liabilities				
Bank borrowings	(9,750)	(10,500)	-	-
Finance lease liabilities	(22,194)	(23,834)	-	-
Deferred gains	(3,054)	(3,303)	-	-
Provisions	(749)	(838)	-	-
Subordinated notes	(12,700)	(13,313)	-	-
Deferred income tax liabilities	(3,773)	(4,461)	-	-
Total Non-current Liabilities	(52,220)	(56,249)	-	-
Net Assets	**267,929**	**265,175**	**149,065**	**152,647**
Capital and reserves attributable to equity holders of the Company				
Share capital	150,519	150,519	150,519	150,519
Retained profits/(Accumulated losses)	63,760	62,742	(1,528)	2,054
Other reserves	(13,810)	(14,756)	74	74
	200,469	198,505	149,065	152,647
Non-controlling interests	67,460	66,670	-	-
Total Equity	**267,929**	**265,175**	**149,065**	**152,647**

** The Group recognised service concession receivables as it has a contractual right under the concession agreement to receive a fixed and determinable amount of payments during the concession period irrespective of the usage of the plant. The service concession receivables are measured on initial recognition at its fair value. Subsequent to initial recognition, the service concession receivables are measured at amortised cost using the effective interest rate method.

1(b)(ii) Aggregate amount of the group's borrowings and debt securities

(a) Amount repayable in one year or less, or on demand

As at 31/03/2018		As at 31/12/2017	
S$'000		S$'000	
Secured	Unsecured	Secured	Unsecured
121,258	13,000	61,856	33,000

(b) Amount repayable after one year

As at 31/03/2018		As at 31/12/2017	
S$'000		S$'000	
Secured	Unsecured	Secured	Unsecured
22,194	22,450	23,834	23,813

(c) Details of any collaterals

The Group's secured borrowings comprise revolving credit facility of S$117,870,000 (2017: S$58,280,000), bank borrowing of S$1,000,000 (2017: S$1,086,000) and finance leases liabilities of S$24,582,000 (2017: S$26,324,000).

The revolving credit facility is secured by a first perfected security interest in all personal property of the Taiga Building Products Ltd. ("Taiga") and certain of its subsidiary corporations.

The bank borrowing is secured by the real estate property of one of the Group's subsidiary corporations in United States.

Finance lease liabilities of the Group are effectively secured over the leased property, plant and equipment as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	1st quarter ended 31 March 2018	1st quarter ended 31 March 2017*
	S$'000	S$'000
Cash flows from operating activities		
Profit/(loss) before income tax	6,275	(6,359)
Adjustments for:		
Depreciation of property, plant and equipment	1,849	1,473
Amortisation of deferred gain	(100)	(68)
Amortisation of intangible assets	1,136	776
Loss on disposal of property, plant and equipment	-	148
Gain on disposal of asset held-for-sale	-	(1,161)
Provisions	(51)	154
Allowance for impairment of trade receivables	417	-
Finance income	(1,224)	(1,527)
Net fair value (gain)/loss on derivatives	(33)	30
Interest income	(21)	(28)
Interest expenses	1,703	2,631
Unrealised currency translation (gains)/losses	(2,266)	5,774
Operating cash flows before working capital changes	7,685	1,843
Change in working capital, net of effects from acquisition of subsidiary corporation:		
Inventories	(25,346)	(1,635)
Service concession receivables	3,830	2,871
Trade receivables	(41,292)	(43,452)
Other receivables	(173)	897
Prepaid operating expenses	56	299
Trade payables and accruals	(255)	8,679
Other payables	(94)	118
Cash used in operations	(55,589)	(30,380)
Interest received	21	28
Interest paid	(1,357)	(1,503)
Income taxes paid	(200)	(266)
Net cash used in operating activities	(57,125)	(32,121)
Cash flows from investing activities		
Purchase of property, plant and equipment	(940)	(1,209)
Proceeds from disposal of property, plant and equipment	-	18
Proceeds from disposal of asset held-for-sale	-	1,896
Net cash outflow on acquisition of a subsidiary corporation (Note A)	-	(87,184)
Acquisition of subordinated notes	-	(57,302)
Net cash used in investing activities	(940)	(143,781)
Cash flows from financing activities		
Acquisition of non-controlling interests	-	(4,862)
Proceeds from shares placement	-	10,000
Share issue expense	-	(59)
Repayment of finance leases liabilities	(589)	(551)
Repayment of bank borrowings	(20,813)	(67)
Proceeds from bank borrowings	-	30,000
Interest paid	(148)	(1,487)
Net cash (used in)/generated from financing activities	(21,550)	32,974
Net decrease in cash and cash equivalents	(79,615)	(142,928)
Cash and cash equivalents at beginning of period	(19,579)	57,184
Effects of currency translation on cash and cash equivalents	2,362	(129)
Cash and cash equivalents at end of period	(96,832)	(85,873)

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following balance sheet amounts:

	1st quarter ended 31 March 2018	1st quarter ended 31 March 2017*
	S$'000	S$'000
Cash and bank balances	21,038	20,358
Revolving credit facility (Note B)	(117,870)	(106,231)
	(96,832)	(85,873)

Note A

Acquisition of Taiga Building Products Ltd. ("Taiga")

On 31 January 2017, the Company through its wholly-owned subsidiary corporation, Avarga Canada Limited (formerly known as UPP Investments Canada Limited) ("Avarga Canada") acquired 58.34% interest in Taiga, a public company incorporated in Canada and listed on the Toronto Stock Exchange for a cash consideration of C$18,908,208. Taiga is a wholesale distributor of building materials.

The fair values of assets and liabilities from the acquisition had initially been determined based on provisional fair values on 31 January 2017. The purchase price allocation ("PPA") exercise in respect of the acquisition of Taiga has been carried out and finalised on 29 January 2018 and the effects of the PPA exercise had been taken up in FY2017 financial statements. Therefore, comparative figures for 1Q2017 were adjusted (the adjustments are accounted for as if they had been recognised on acquisition date) to achieve comparability with the current period.

At the date of acquisition, the Group recognised a goodwill of S$22,919,000 (C$21,163,000) based on fair value of assets and liabilities of Taiga. The goodwill was translated at the prevailing exchange rate which amounted to S$21,501,000 as at 31 March 2018. The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of Taiga's net identifiable liabilities.

Fair value of assets acquired and liabilities identified at the date of acquisition	S$'000
Current assets	258,799
Non-current assets	80,481
Current liabilities	(146,557)
Non-current liabilities	(196,910)
Total net identifiable liabilities at fair value	(4,187)
Non-controlling interest	1,745
	(2,442)
Goodwill	22,919
Consideration transferred for the business	20,477

Net cash outflow arising from the acquisition	S$'000
Cash consideration paid	(20,477)
Add: Revolving credit facility which form part of cash and cash equivalents	(66,707)
Net cash outflow on acquisition	(87,184)

Note B

Revolving credit facility

The revolving credit facility consists of Taiga's cash on hand less cheques issued and the Taiga's outstanding revolving credit facility balance. Taiga's cash flow statement reflects the net change in its revolving credit facility. The revolving credit facility forms an integral part of Taiga's cash management and fluctuates directly as a result of its cash flows from operating, investing and financing activities.

On November 25, 2013, Taiga renewed its senior credit facility with a syndicate of lenders led by JPMorgan Chase Bank (the "Facility"). The Facility was increased from C$200 million to C$225 million, with an option to increase the limit by up to C$50 million. The Facility continues to bear interest at variable rates plus variable margins, is secured by a first perfected security interest in all personal property of the Taiga Group of entities and will mature on November 25, 2018. Taiga's ability to borrow under the Facility is based upon a defined percentage of accounts receivables and inventories.

* The results of 1Q2017 has been retrospectively adjusted to reflect the fair values of assets and liabilities of Taiga Building Products Ltd. upon finalisation of the purchase price allocation ("PPA") exercise in January 2018.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

THE GROUP

Consolidated statement of changes in equity for the period ended 31 March 2018

	Share capital	Retained profits	Capital reserve	Foreign currency translation reserve	Fair value reserve	Total other reserves	Non-controlling interests	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balance at 1 January 2018	**150,519**	**62,742**	**5,891**	**(21,093)**	**446**	**(14,756)**	**66,670**	**265,175**
Profit for the period	-	1,018	-	-	-	-	3,164	4,182
Other comprehensive income/(loss) for the period	-	-	-	1,121	(175)	946	(2,374)	(1,428)
Total comprehensive income/(loss) for the period	-	1,018	-	1,121	(175)	946	790	2,754
Balance at 31 March 2018	**150,519**	**63,760**	**5,891**	**(19,972)**	**271**	**(13,810)**	**67,460**	**267,929**

Consolidated statement of changes in equity for the period ended 31 March 2017

	Share capital	Retained profits	Capital reserve	Foreign currency translation reserve	Fair value reserve	Total other reserves	Non-controlling interests	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balance at 1 January 2017	**140,578**	**55,168**	**712**	**(18,298)**	**637**	**(16,949)**	**4,945**	**183,742**
Profit for the period (as previously stated)	-	2,771	-	-	-	-	1,064	3,835
Effect of PPA adjustments *	-	(4,387)	-	-	-	-	(3,133)	(7,520)
Loss for the period (as restated)	-	(1,616)	-	-	-	-	(2,069)	(3,685)
Other comprehensive (loss)/income for the period (as previously stated)	-	-	-	(1,730)	258	(1,472)	436	(1,036)
Effect of PPA adjustments *	-	-	-	(491)	-	(491)	91	(400)
Other comprehensive income/(loss) for the period (as restated)	-	-	-	(2,221)	258	(1,963)	527	(1,436)
Total comprehensive income/(loss) for the period (as restated)	**-**	**(1,616)**	**-**	**(2,221)**	**258**	**(1,963)**	**(1,542)**	**(5,121)**
Shares placement	10,000	-	-	-	-	-	-	10,000
Shares placement expenses	(59)	-	-	-	-	-	-	(59)
Acquisition of a subsidiary corporation (as previously stated)	-	-	-	-	-	-	(17,857)	(17,857)
Effect of PPA adjustment *	-	-	-	-	-	-	16,113	16,113
Acquisition of a subsidiary corporation (as restated)	-	-	-	-	-	-	(1,744)	(1,744)
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	-	(4,897)	(4,897)
Total transactions with owners, recognised directly in equity	**9,941**	**-**	**-**	**-**	**-**	**-**	**(6,641)**	**3,300**
Balance at 31 March 2017 (as restated)	**150,519**	**53,552**	**712**	**(20,519)**	**895**	**(18,912)**	**(3,238)**	**181,921**

* Retrospective adjustment to reflect finalisation of PPA of Taiga in January 2018. Please see Note A on page 6 for more details.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (Cont'd)

THE COMPANY

Statement of changes in equity for the period ended 31 March 2018

	Share capital	Retained profits/ (Accumulated losses)	Capital reserve	Total other reserves	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000
Balance at 1 January 2018	**150,519**	**2,054**	**74**	**74**	**152,647**
Total comprehensive loss for the period	-	(3,582)	-	-	(3,582)
Balance at 31 March 2018	**150,519**	**(1,528)**	**74**	**74**	**149,065**

Statement of changes in equity for the period ended 31 March 2017

	Share capital	Retained profits/ (Accumulated losses)	Capital reserve	Total other reserves	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000
Balance at 1 January 2017	**140,578**	**1,936**	**74**	**74**	**142,588**
Total comprehensive loss for the period	-	(4,358)	-	-	(4,358)
Shares placement	10,000	-	-	-	10,000
Shares placement expenses	(59)	-	-	-	(59)
Balance at 31 March 2017	**150,519**	**(2,422)**	**74**	**74**	**148,171**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There were no changes in the Company's share capital for the first quarter ended 31 March 2018.

Bonus warrants (the "Warrant") were issued by the Company on 13 February 2017 and the number of shares that may be issued on their conversion were 836,667,121 (31 March 2017: 836,667,121).

The Company did not hold any treasury shares and no subsidiary holdings as at 31 March 2018 and 31 March 2017.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of current financial period and as at the end of the immediately preceding year

	Company	
	31.03.2018	31.12.2017
Number of issued shares	876,667,121	876,667,121

The Company did not hold any treasury shares as at 31 March 2018 and 31 December 2017.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on

Not applicable.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on

Not applicable.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed in Section 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current period as compared with those used in the audited financial statements for the year ended 31 December 2017.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the period ended 31 March 2018 are the first set of interim financial statements of the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) equivalent of IFRS 1 First-time Adoption of IFRS ("IFRS 1"). The Group has concurrently applied new major SFRS(I) equivalents of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

The adoption of SFRS(I) has no material impact on the financial statements of the Group.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

			Group	
			1st quarter ended 31 March 2018	1st quarter ended 31 March 2017 (Restated)
Earnings per ordinary share for the period based on profit/(loss) attributable to equity holders of the Company				
(i)	Based on weighted average number of ordinary shares on issue	S$ cents	0.12	(0.19)
(ii)	On a fully diluted basis	S$ cents	0.12	(0.19)

The above earnings/(loss) per share is calculated based on the weighted average number of ordinary shares in issue during the period of 876,667,121 (2017: 838,889,343) shares after accounting for new shares issued during the period.

7. Net asset value (for the issuer and the group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year

Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on

		31 March 2018	31 December 2017
The Group	S$ cents	22.87	22.64
The Company	S$ cents	17.00	17.41

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

(a) Review of Statement of comprehensive income

The Group's net profit was S$4.2 million for 1Q2018 as compared with loss of S$3.7 million for 1Q2017. The loss in the previous corresponding period was due to fair value expenses of S$7.5 million that had resulted from the fair value exercise of Taiga at the date of acquisition. The fair value expense was mainly related to Taiga's inventories, which were revalued upward by S$8.5 million at the date of acquisition on 31 January 2017. The incremental value was recognised as an additional cost of sales to the Group when these revalued inventories were subsequently sold in the previous corresponding quarter.

The Group's results included a foreign exchange loss of S$4.0 million (1Q2017: S$3.7 million) classified under "Other losses, net" that arose from the translation of intercompany receivables and bank balances denominated in Canadian Dollar ("CAD") and United States Dollar ("USD"). The "Other losses, net" in the previous corresponding period of S$2.1 million were partially offset by a gain on disposal of assets held-for-sale amounted to S$1.2 million.

Excluding the effects of foreign exchange loss of S$4.0 million (1Q2017: S$3.7 million), exceptional fair value accounting charge of S$8.5 million relating to the acquisition exercise in 1Q2017 and gain on disposal of assets held-for-sale of S$1.2 million recognised in the previous corresponding period, the Group's net profit would have increased by S$0.8 million or 11% from S$7.4 million for 1Q2017 to S$8.2 million for 1Q2018.

The Group reported revenue of S$353.8 million for 1Q2018 as compared to S$232.7 million for 1Q2017. The increase in the revenue was primarily due to full quarter as compared with 2 months contribution from Taiga which was acquired on 31 January 2017.

For the building products business of Taiga, the increase in revenue and gross profit margin (other than arising from the full quarter versus 2 months contribution from Taiga) was due to higher selling prices for commodity products in current quarter as compared to the same quarter last year.

Revenue from the paper mill business for 1Q2018 increased 7% to S$13.9 million from S$13.0 million over the same period last year. Gross profit margin increased to 22.3% in the quarter compared to 18.0% over the same period last year. The increase was primarily due to higher selling prices of paper mill products in current quarter compared to the same quarter last year.

The decrease in operating and maintenance income of the power plant business was mainly due to a decline in variation income caused by lower electricity generated and sold to Electric Power Generation Enterprise ("EPGE") in the current quarter as compared to 1Q2017.

Distribution and selling and administrative expenses increased were largely attributed to full quarter as compared with only 2 months consolidation of Taiga's accounts in the previous corresponding period.

Finance expenses decreased was mainly due to decrease in subordinated notes interest expense. Subordinated notes interest expense for the quarter ended 31 March 2018 was S$0.2 million compared to S$1.5 million over the same period last year as now there are only C$12.5 million of 7% subordinated notes.

(b) (i) Review of Statement of Financial Position

The Group's total assets increased from S$505.1 million as at 31 December 2017 to S$546.5 million as at 31 March 2018. The increase of S$41.4 million was primarily the result of increased trade receivables and increased inventories partially offset by decreased cash and bank balances.

Inventories increased to S$163.5 million as at 31 March 2018 compared to S$138.2 million as at 31 December 2017 were mainly due to higher commodity price.

Trade receivables increased to S$167.8 million as at 31 March 2018 compared to S$126.9 million as at 31 December 2017 were largely due to higher selling prices for commodity products.

Property, plant and equipment decreased to S$90.7 million as at 31 March 2018 compared to S$92.1 million as at 31 December 2017 mainly due to depreciation charge.

Intangible assets decreased to S$24.8 million as at 31 March 2018 compared to S$27.1 million as at 31 December 2017 mainly due to amortization and translation loss.

Total liabilities of the Group increased to S$278.6 million as at 31 March 2018 from S$240.0 million as at 31 December 2017. The increase was primarily the result of increased revolving credit facility balance and increased income tax payables partially offset by repayment of bank borrowing of S$20.8 million.

The Group's working capital as at 31 March 2018 increased to S$153.4 million from S$147.6 million as at 31 December 2017 due to increased current assets offset by increased current liabilities. The Group believes that current levels are adequate to meet its working capital requirements.

The Group's total equity as at 31 March 2018 amounted to S$267.9 million (31 December 2017: S$265.2 million).

(b) (ii) Review of Statement of Cash Flows

Net cash used in operations for the current quarter was S$55.6 million. This was mainly due to higher working capital requirements in particularly resulted of increased account receivables and inventories attributable to Taiga. The increase in account receivables were due to increase in sales whereas the increase in inventories were due to higher commodity price.

Net cash used in financing activities of S$21.6 million was mainly due to repayment of bank borrowings of S$20.8 million in the current quarter.

Overall, the net decrease in cash and cash equivalents for 1Q2018 amounted to S$79.6 million.

As at 31 March 2018, the Group's outstanding revolving credit facility ("RCF") net of cash and bank balances was S$96.8 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

No forecast was previously provided.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

With the acquisition of a substantial stake in Taiga in 2017, the Group has been transformed into a much larger company in terms of sales, profits and global operations.

The Group now has 3 core businesses, operations in 5 countries and over 800 staff worldwide. Reflecting the Group's more diversified operations, the name of Company has been changed from UPP Holdings Limited to Avarga Limited with effect from 27 April 2018.

The Group's immediate focus for 2018 will be to increase its stake in Taiga, in order for the Group to consolidate control and more of Taiga's earnings.

As announced on 23 March 2018, the Group has entered into a sale and purchase agreement with Genghis S.à.r.l. to acquire Kublai Canada Limited, which in turn holds 18,460,760 common shares representing approximately 15.8% of the common shares of Taiga.

Following Taiga's notes restructuring exercise in November 2017, the Group's interest in Taiga had declined to 49.0%. Upon completion of the proposed acquisition of Kublai Canada Limited, the Group will have an aggregate interest of 64.8% in Taiga. The acquisition is expected to be value-accretive for the Group.

Following its notes restructuring exercise, Taiga's balance sheet has been strengthened and will place the Company in a stronger position to further expand its business.

The Group will continue to focus on improving operational efficiency for its portfolio of businesses, and evaluate opportunities for growth. However, the increased geographical diversity of the Group's assets will also subject it to higher currency volatility when earnings are translated back to SGD. Included in the latest quarter's results are foreign exchange losses amounting to S$4.0 million, compared with a foreign exchange loss of S$3.7 million in 1Q2017.

Outlook of the respective business divisions are as follows: -

a) Building products business

Taiga's financial performance is primarily dependent on the residential construction, renovation and repairs markets in North America. These markets are affected by the strength or weakness in the general economy and as such are influenced by interest rates and other general market indicators. Taiga caters to both the primary housing and renovation markets.

Taiga's primary market is Canada and secondary market, the United States. The Canada Mortgage and Housing Corporation Housing Market Outlook, Canadian Edition for the fourth quarter 2017, forecasts Canada housing starts to range from 192,200 to 203,000 units in 2018. In the United States, the National Association of Home Builders reported in December 2017 that housing starts are forecasted to total 1,248,000 units in 2018.

Taiga's sales and earnings are typically subject to seasonal variances that fluctuate in accordance with the home building season in Canada and the United States. Taiga generally experiences reduced sales in the late fall and winter season, in the quarters ended December and March, when home building activity is low due to the cold weather. It typically achieves higher sales in the other half of the year, when home building activities are active.

b) Paper mill business

Demand for packaging paper is primarily driven by Malaysia's manufacturing and consumer sector and increasingly, by the growth of e-Commerce activities. The Group is enjoying good demand for its paper products.

China's environmental moves to restrict the import of waste paper since September 2017 have temporarily softened the impact of high scrap prices, which were rising for much of last year. Notwithstanding this, the Group will continue to monitor market developments and pricing trends. It is mindful of potential hikes in future energy costs, fluctuations in the price of raw materials and exchange rates, and will continue to strive to improve operational efficiency.

c) Power plant business

Earnings for the power plant in Myanmar are backed by a 30-year power purchase agreement with the Electric Power Generation Enterprise (EPGE), under Myanmar's Ministry of Electricity and Energy. The Group is committed to meet the minimum off-take requirement of 350 million kWh per year.

11. Dividend

(a) Period ended 31 March 2018

Any dividend declared for the current financial period reported on?

None.

(b) Period ended 31 March 2017

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared or recommended for the first quarter ended 31 March 2018.

13. If the Group has obtained a general mandate from shareholders for Interested Person Transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for Interested Person Transactions.

14. Negative assurance confirmation by the Board pursuant to Rule 705 (5) of the Listing Manual

The Board of Directors of the Company hereby confirm that to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the first quarter ended 31 March 2018 to be false or misleading in any material respect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Tong Kooi Ong
Executive Chairman

Koh Wan Kai
Executive Director

8 May 2018