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

Unaudited Financial Statement And Dividend Announcement for the Third Quarter and Nine Months Ended 30 September 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 third quarter and nine months ended 30 September 2018

		Group					
	Note	**3rd quarter ended 30 September 2018**	**3rd quarter ended 30 September 2017***	**Increase / (decrease)**	**9 months ended 30 September 2018**	**9 months ended 30 September 2017***	**Increase / (decrease)**
		S$'000	S$'000	%	S$'000	S$'000	%
Revenue	(a)	436,288	447,321	(2)	1,243,421	1,089,542	14
Cost of sales	(b)	(402,253)	(402,387)	-	(1,127,136)	(990,522)	14
Gross profit		34,035	44,934	(24)	116,285	99,020	17
Other gains/(losses), net		2,741	2,429	13	(1,218)	174	nm
Distribution expenses		(7,575)	(6,616)	14	(20,657)	(17,052)	21
Selling and administrative expenses		(16,598)	(21,245)	(22)	(55,598)	(51,334)	8
Finance expenses		(2,573)	(5,001)	(49)	(6,407)	(12,408)	(48)
Profit before income tax		10,030	14,501	(31)	32,405	18,400	76
Income tax expense		363	(3,241)	nm	(8,830)	(3,592)	146
Net profit	(c)	10,393	11,260	(8)	23,575	14,808	59
Other comprehensive income/(loss):							
Items that may be reclassified subsequently to profit or loss:							
Available-for- sale financial assets:							
- Fair value gains		-	11	nm	-	58	nm
Currency translation differences arising from consolidation							
- (Losses)/gains		(1,792)	(1,800)	-	1,843	(3,990)	nm
Items that will not be reclassified subsequently to profit or loss:							
Financial assets, at FVOCI							
- Fair value losses		(267)	-	nm	(634)	-	nm
Currency translation differences arising from consolidation							
- Gains		1,007	-	nm	200	-	nm
Other comprehensive income/(loss), net of tax		(1,052)	(1,789)	(41)	1,409	(3,932)	nm
Total comprehensive income		9,341	9,471	(1)	24,984	10,876	130
Profit attributable to:							
Equity holders of the Company		7,849	8,928	(12)	14,947	13,203	13
Non-controlling interests		2,544	2,332	9	8,628	1,605	438
		10,393	11,260	(8)	23,575	14,808	59
Total comprehensive income attributable to:							
Equity holders of the Company		5,790	7,795	(26)	16,156	9,775	65
Non-controlling interests		3,551	1,676	112	8,828	1,101	702
		9,341	9,471	(1)	24,984	10,876	130

* The results of 3Q2017 and 9M2017 have 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.

	3Q2017	**9M2017**
	S$'000	S$'000
Net profit (as previously reported)	12,152	24,072
Effect of PPA adjustments	(892)	(9,264)
Net profit as per above (as restated)	11,260	14,808

Footnotes:

(a) Revenue comprises the following:

	Group					
	3rd quarter ended 30 September 2018	**3rd quarter ended 30 September 2017**	**Increase / (decrease)**	**9 months ended 30 September 2018**	**9 months ended 30 September 2017**	**Increase / (decrease)**
	S$'000	S$'000	%	S$'000	S$'000	%
Sales of goods						
- Paper products	14,656	14,038	4	42,309	39,867	6
- Building products	419,096	430,620	(3)	1,193,576	1,040,455*	15
Finance income	1,213	1,476	(18)	3,663	4,566	(20)
Operating and maintenance income	1,323	1,187	11	3,873	4,654	(17)
	436,288	447,321	(2)	1,243,421	1,089,542*	14

(b) The cost of sales includes the following:

	Group					
	3rd quarter ended 30 September 2018	**3rd quarter ended 30 September 2017**	**Increase / (decrease)**	**9 months ended 30 September 2018**	**9 months ended 30 September 2017**	**Increase / (decrease)**
	S$'000	S$'000	%	S$'000	S$'000	%
Cost of goods sold						
- Paper products	11,262	11,826	(5)	32,216	33,076	(3)
- Building products	389,882	389,558	-	1,091,639	954,007*	14
Operating and maintenance fees	897	810	11	2,699	2,813	(4)
Others	212	193	10	582	626	(7)
	402,253	402,387	-	1,127,136	990,522*	14

(c) Profit for the period included the following:

	Group					
	3rd quarter ended 30 September 2018	**3rd quarter ended 30 September 2017**	**Increase / (decrease)**	**9 months ended 30 September 2018**	**9 months ended 30 September 2017**	**Increase / (decrease)**
	S$'000	S$'000	%	S$'000	S$'000	%
Depreciation of property, plant and equipment	(2,066)	(1,848)*	12	(5,783)	(5,099)*	13
Amortisation of intangible assets	(1,417)	(1,187)*	19	(3,683)	(3,096)*	19
Amortisation of deferred gain	100	116	(14)	299	274	9
Gain/(loss) on disposal of property, plant and equipment	136	49	178	145	(81)	nm
Gain on disposal of asset held-for-sale	-	-	-	-	1,161	nm
Bad debts recovered/(written off)	17	(163)	nm	24	(141)	nm
(Allowance for)/reversal of impairment of trade receivables	(425)	64	nm	(1,500)	64	nm
Inventories written-down	(1,784)	(287)	522	(2,138)	(799)	168
Foreign exchange gain/(loss), net	2,257	2,574	(12)	(1,498)	(1,563)*	(4)
Dividend income from financial assets, at FVOCI	-	-	-	100	96	4
Interest income	87	11	691	125	47	166
Interest expense	(2,573)	(5,001)	(49)	(6,407)	(12,408)	(48)
Net fair value gain/(loss) on derivatives	684	(333)	nm	546	(203)	nm
Over/(under) provision of tax in respect of prior years	-	17	nm	(294)	(238)	24

nm - not meaningful

* The results of 3Q2017 and 9M2017 have 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	
	30/09/2018	**31/12/2017**	**30/09/2018**	**31/12/2017**
	S$'000	S$'000	S$'000	S$'000
Non-current Assets				
Property, plant and equipment	95,598	92,069	5	8
Investments in subsidiary corporations	-	-	35,126	20,533
Other investments	500	-	500	-
Available-for-sale financial assets	-	3,267	-	-
Financial assets, at FVOCI	2,633	-	-	-
Service concession receivables**	24,838	28,608	-	-
Other receivables	-	-	12,816	16,713
Goodwill on consolidation	34,090	22,538	-	-
Intangible assets	47,351	27,125	-	-
Deferred income tax assets	-	184	-	-
Total Non-current Assets	205,010	173,791	48,447	37,254
Current Assets				
Inventories	156,437	138,171	-	-
Service concession receivables**	16,267	15,910	-	-
Trade receivables	162,332	126,953	71	176
Other receivables	8,558	1,366	113,319	91,719
Prepaid operating expenses	2,531	2,512	49	24
Derivatives financial instruments	508	-	-	-
Cash and bank balances	18,353	38,701	1,963	25,100
	364,986	323,613	115,402	117,019
Assets held-for-sale	7,742	7,742	-	-
Total Current Assets	372,728	331,355	115,402	117,019
Current Liabilities				
Trade payables and accruals	(92,006)	(83,954)	(1,020)	(1,547)
Other payables	(299)	(225)	(61)	(79)
Derivatives financial instruments	-	(38)	-	-
Revolving credit facility	(93,256)	(58,280)	-	-
Bank borrowings	(28,702)	(34,086)	-	-
Finance lease liabilities	(2,527)	(2,490)	-	-
Income tax payables	(9,966)	(4,649)	-	-
Total Current Liabilities	(226,756)	(183,722)	(1,081)	(1,626)
Net Current Assets	145,972	147,633	114,321	115,393
Non-current Liabilities				
Bank borrowings	(31,198)	(10,500)	-	-
Finance lease liabilities	(21,913)	(23,834)	-	-
Deferred gains	(2,958)	(3,303)	-	-
Provisions	(730)	(838)	-	-
Subordinated notes	(13,137)	(13,313)	-	-
Deferred income tax liabilities	(10,465)	(4,461)	-	-
Total Non-current Liabilities	(80,401)	(56,249)	-	-
Net Assets	**270,581**	**265,175**	**162,768**	**152,647**
Capital and reserves attributable to equity holders of the Company				
Share capital	169,582	150,519	169,582	150,519
Retained profits/(Accumulated losses)	68,923	62,742	(6,888)	2,054
Other reserves	(19,444)	(14,756)	74	74
	219,061	198,505	162,768	152,647
Non-controlling interests	51,520	66,670	-	-
Total Equity	**270,581**	**265,175**	**162,768**	**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 group's borrowings and debt securities

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

As at 30/09/2018		As at 31/12/2017	
S$'000		S$'000	
Secured	Unsecured	Secured	Unsecured
103,485	21,000	61,856	33,000

(b) Amount repayable after one year

As at 30/09/2018		As at 31/12/2017	
S$'000		S$'000	
Secured	Unsecured	Secured	Unsecured
44,861	21,387	23,834	23,813

(c) Details of any collaterals

The Group's secured borrowings comprise revolving credit facility of S$93,256,000 (2017: S$58,280,000), bank borrowings of S$30,650,000 (2017: S$1,086,000) and finance leases liabilities of S$24,440,000 (2017: S$26,324,000).

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

The bank borrowings are also secured partially 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 flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	3rd quarter ended 30 September 2018	3rd quarter ended 30 September 2017*	9 months ended 30 September 2018	9 months ended 30 September 2017*
	S$'000	S$'000	S$'000	S$'000
Cash flows from operating activities				
Profit before income tax	10,030	14,501	32,405	18,400
Adjustments for:				
Depreciation of property, plant and equipment	2,066	1,848	5,783	5,099
Amortisation of deferred gain	(100)	(116)	(299)	(274)
Amortisation of intangible assets	1,417	1,187	3,683	3,096
(Gain)/loss on disposal of property, plant and equipment	(136)	(49)	(145)	81
Gain on disposal of asset held-for-sale	-	-	-	(1,161)
Provisions	(23)	(54)	(97)	49
Allowance for/(reversal of) impairment of trade receivables	425	(64)	1,500	(64)
Net fair value (gain)/loss on derivatives	(684)	333	(546)	203
Dividend income from quoted equity security	-	-	(100)	(96)
Finance income	(1,213)	(1,476)	(3,663)	(4,566)
Interest income	(87)	(11)	(125)	(47)
Interest expenses	2,573	5,001	6,407	12,408
Unrealised currency translation (gains)/losses	(1,091)	421	1,089	6,284
Operating cash flows before working capital changes	13,177	21,521	45,892	39,412
Changes in working capital, net of effects from acquisition of subsidiary corporation:				
Inventories	29,405	14,477	3,175	15,145
Service concession receivables	2,978	8,117	7,985	9,678
Trade receivables	64,814	15,000	(26,585)	(59,883)
Other receivables	(5,674)	502	(7,192)	1,721
Prepaid operating expenses	626	354	369	498
Trade payables and accruals	(12,955)	10,616	1,490	29,914
Other payables	200	(57)	74	(212)
Cash generated from operations	92,571	70,530	25,208	36,273
Interest received	87	11	125	47
Interest paid	(3,406)	(1,990)	(5,250)	(5,263)
Income tax paid	(671)	(3,985)	(4,156)	(6,143)
Net cash generated from operating activities	88,581	64,566	15,927	24,914
Cash flows from investing activities				
Purchase of property, plant and equipment	(974)	(1,529)	(2,911)	(3,219)
Proceeds from disposal of property, plant and equipment	136	52	154	755
Proceeds from disposal of asset held-for-sale	-	-	-	1,896
Purchase of unquoted equity security	-	-	(500)	-
Net cash outflow on acquisition of a subsidiary corporation **(Note A and Note B)**	(54,778)	-	(54,778)	(20,477)
Dividend income from quoted equity security	-	-	100	96
Acquisition of subordinated notes	-	-	-	(57,302)
Net cash used in investing activities	(55,616)	(1,477)	(57,935)	(78,251)
Cash flows from financing activities				
Acquisition of non-controlling interests	(9,253)	-	(9,253)	(4,862)
Proceeds from shares placement	-	-	-	10,000
Share issue expenses	(31)	-	(31)	(59)
Purchase of treasury shares by a subsidiary corporation	-	-	(773)	-
Repayment of obligations under finance leases	(632)	(533)	(1,828)	(1,639)
Changes in revolving credit facility (**Note C**)	(57,222)	(49,803)	28,099	1,620
Proceeds from bank borrowings	37,925	1,000	38,925	35,000
Repayment of bank borrowings	(1,964)	(817)	(23,592)	(10,954)
Interest paid	(150)	(3,147)	(893)	(7,640)
Dividend paid to equity holders of the Company	(4,383)	(4,383)	(8,766)	(8,766)
Net cash (used in)/generated from financing activities	(35,710)	(57,683)	21,888	12,700
Net (decrease)/increase in cash and cash equivalents	(2,745)	5,406	(20,120)	(40,637)
Cash and cash equivalents at beginning of period	21,296	11,099	38,701	57,184
Effects of currency translation on cash and cash equivalents	(198)	79	(228)	37
Cash and cash equivalents at end of period	18,353	16,584	18,353	16,584

* The results of 3Q2017 and 9M2017 have 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(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)

Note A

Acquisition of Exterior Wood, Inc. ("Exterior Wood")

On 31 July 2018, the Group's subsidiary corporation, Taiga Building Products USA Ltd. completed the acquisition of all the shares of Exterior Wood, Inc. ("Exterior Wood"). Exterior Wood manufactures pressure-treated wood and related products for indoor and outdoor use in building construction materials, farm and agriculture, decks, fences and highway material at its wood treatment facility and distribution centre located in Washougal, Washington. Total purchase consideration comprised of S$57,777,000 in exchange for all issued and outstanding common shares of Exterior Wood. The consideration transferred to the vendors was satisfied primarily through Taiga's revolving credit facility (the "Facility") and additional term loans included in the Facility. The purchase price allocation ("PPA") exercise in respect of the acquisition of Exterior Wood has not been finalised as of 30 September 2018. The Group has 12 months from the date of acquisition to finalise the fair value measurement and accounting as allowed under FRS 103 Business Combinations.

At the date of acquisition, the Group recognised a provisional goodwill of S$11,824,000 (US$8,708,000) based on provisional fair value of assets and liabilities of Exterior Wood. The provisional goodwill was translated at the prevailing exchange rate which amounted to S$11,848,000 as at 30 September 2018.

Provisional fair value of assets acquired and liabilities identified at the date of acquisition	S$'000
Current assets	35,122
Non-current assets	6,206
Current liabilities	(11,019)
Non-current liabilities	(8,603)
Total net identifiable assets at fair value	21,706
Goodwill	11,824
Intangible assets	24,247
Consideration transferred for the business	57,777

Net cash outflow arising from the acquisition	S$'000
Cash consideration paid	(57,777)
Add: Cash and cash equivalents in subsidiary corporation acquired	2,999
Net cash outflow on acquisition	(54,778)

Note B

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 3Q2017 and 9M2017 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$22,242,000 as at 30 September 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: Cash and cash equivalents in subsidiary corporation acquired (Restated)	-
Net cash outflow on acquisition (Restated)	(20,477)

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)

Note C

Revolving credit facility

Previously, the Group reflected the revolving credit facility of Taiga as part of cash and cash equivalents as it forms an integral part of Taiga's cash management and fluctuates directly as a result of cash flows from operating, investing and financing activities. In response to an agenda decision issued by the IFRS Interpretations Committee, Taiga has revised this presentation and now includes cash flows resulting from changes in the revolving credit facility balance within financing activities. The Group has reflected the same presentation with Taiga and comparative information has also been adjusted accordingly.

On June 28, 2018, Taiga renewed its senior secured revolving credit facility with a syndicate of lenders led by JPMorgan Chase Bank (the "Facility"). The Facility was increased from C$225 million to C$250 million, with an option to increase the limit by up to C$50 million. The facility also features the ability to draw on additional term loans in an aggregate amount of approximately C$23 million at favourable rates, which Taiga utilised for acquisition of Exterior Wood, Inc. The Facility will mature on June 28, 2023 and is secured by a first perfected security interest in all personal property of the Taiga and certain of its subsidiary corporations. Taiga's ability to borrow under the Facility is based upon a defined percentage of accounts receivable and inventories.

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 30 September 2018

	Share capital	Retained profits	Capital reserve	Foreign currency translation reserve	Fair value reserve	Total reserves	Non-controlling interests	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
1H 2018								
Balance at 1 January 2018	**150,519**	**62,742**	**5,891**	**(21,093)**	**446**	**(14,756)**	**66,670**	**265,175**
Profit for the period	-	7,098	-	-	-	-	6,084	13,182
Other comprehensive income/(loss) for the period	-	-	-	3,635	(367)	3,268	(807)	2,461
Total comprehensive income/(loss) for the period	-	7,098	-	3,635	(367)	3,268	5,277	15,643
Effect of subsidiary's treasury shares transaction	-	-	(379)	-	-	(379)	(394)	(773)
Dividend relating to 2017 paid	-	(4,383)	-	-	-	-	-	(4,383)
Balance at 30 June 2018	**150,519**	**65,457**	**5,512**	**(17,458)**	**79**	**(11,867)**	**71,553**	**275,662**
3Q 2018								
Profit for the period	-	7,849	-	-	-	-	2,544	10,393
Other comprehensive income/(loss) for the period	-	-	-	(1,792)	(267)	(2,059)	1,007	(1,052)
Total comprehensive income/(loss) for the period	-	7,849	-	(1,792)	(267)	(2,059)	3,551	9,341
Share issued for acquisition of non-controlling interests without a change in control	19,094	-	-	-	-	-	-	19,094
Share issuance expense	(31)	-	-	-	-	-	-	(31)
Acquisition of non-controlling interests without a change in control	-	-	(5,518)	-	-	(5,518)	(23,584)	(29,102)
Dividend relating to 2018 paid	-	(4,383)	-	-	-	-	-	(4,383)
Balance at 30 September 2018	**169,582**	**68,923**	**(6)**	**(19,250)**	**(188)**	**(19,444)**	**51,520**	**270,581**

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 GROUP

Consolidated statement of changes in equity for the period ended 30 September 2017

	Share capital	Retained profits	Capital reserve	Foreign currency translation reserve	Fair value reserve	Total reserves	Non-controlling interests	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
1H 2017								
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)	-	9,159	-	-	-	-	2,761	11,920
Effect of PPA adjustments *	-	(4,884)	-	-	-	-	(3,488)	(8,372)
Profit for the period (as restated)	-	4,275	-	-	-	-	(727)	3,548
Other comprehensive (loss)/income for the period (as previously stated)	-	-	-	(1,940)	47	(1,893)	75	(1,818)
Effect of PPA adjustments *	-	-	-	(402)	-	(402)	77	(325)
Other comprehensive income/(loss) for the period (as restated)	-	-	-	(2,342)	47	(2,295)	152	(2,143)
Total comprehensive income/(loss) for the period (as restated)	**-**	**4,275**	**-**	**(2,342)**	**47**	**(2,295)**	**(575)**	**1,405**
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**
Dividend relating to 2016 paid	-	(4,383)	-	-	-	-	-	(4,383)
Balance at 30 June 2017 (as restated)	**150,519**	**55,060**	**712**	**(20,640)**	**684**	**(19,244)**	**(2,271)**	**184,064**
3Q 2017								
Profit for the period (as previously stated)	-	9,448	-	-	-	-	2,704	12,152
Effect of PPA adjustments *	-	(520)	-	-	-	-	(372)	(892)
Profit for the period (as restated)	-	8,928	-	-	-	-	2,332	11,260
Other comprehensive (loss)/income for the period (as previously stated)	-	-	-	(1,429)	11	(1,418)	(594)	(2,012)
Effect of PPA adjustments *	-	-	-	285	-	285	(62)	223
Other comprehensive income/(loss) for the period (as restated)	-	-	-	(1,144)	11	(1,133)	(656)	(1,789)
Total comprehensive income/(loss) for the period (as restated)	**-**	**8,928**	**-**	**(1,144)**	**11**	**(1,133)**	**1,676**	**9,471**
Dividend relating to 2017 paid	-	(4,383)	-	-	-	-	-	(4,383)
Balance at 30 September 2017 (as restated)	**150,519**	**59,605**	**712**	**(21,784)**	**695**	**(20,377)**	**(595)**	**189,152**

* Retrospective adjustment to reflect finalisation of PPA of Taiga in January 2018. Please see Note B 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 30 September 2018

	Share capital	Retained profits/ (Accumulated losses)	Capital reserve	Total reserves	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000
1H 2018					
Balance at 1 January 2018	**150,519**	**2,054**	**74**	**74**	**152,647**
Total comprehensive loss for the period	-	(598)	-	-	(598)
Dividend relating to 2017 paid	-	(4,383)	-	-	(4,383)
Balance at 30 June 2018	**150,519**	**(2,927)**	**74**	**74**	**147,666**
3Q 2018					
Total comprehensive income for the period	-	422	-	-	422
Share issued for acquisition of non-controlling interests without a change in control	19,094	-	-	-	19,094
Share issuance expense	(31)	-	-	-	(31)
Dividend relating to 2018 paid	-	(4,383)	-	-	(4,383)
Balance at 30 September 2018	**169,582**	**(6,888)**	**74**	**74**	**162,768**

Statement of changes in equity for the period ended 30 September 2017

	Share capital	Retained profits/ (Accumulated losses)	Capital reserve	Total reserves	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000
1H 2017					
Balance at 1 January 2017	**140,578**	**1,936**	**74**	**74**	**142,588**
Total comprehensive loss for the period	-	(2,900)	-	-	(2,900)
Shares placement	10,000	-	-	-	10,000
Share placement expenses	(59)	-	-	-	(59)
Dividend relating to 2016 paid	-	(4,383)	-	-	(4,383)
Balance at 30 June 2017	**150,519**	**(5,347)**	**74**	**74**	**145,246**
3Q 2017					
Total comprehensive income for the period	-	3,212	-	-	3,212
Dividend relating to 2017 paid	-	(4,383)	-	-	(4,383)
Balance at 30 September 2017	**150,519**	**(6,518)**	**74**	**74**	**144,075**

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.

Changes in the Company's share capital:

	Number of shares
Balance at 1 July 2018	876,667,121
Issuance of consideration shares in satisfaction of the non-cash portion of the purchase consideration for inter alia the acquisition of Kublai Canada Limited	73,439,000
Balance at 30 September 2018	950,106,121

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 (30 September 2017: 836,667,121).

The Company did not hold any treasury shares and no subsidiary holdings as at 30 September 2018 and 30 September 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	
	30.09.2018	31.12.2017
Number of issued shares	950,106,121	876,667,121

The Company did not hold any treasury shares as at 30 September 2018 and 31 December 2017.

1(d)(iv) A statement showing all sales, transfers, disposals, 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) since 1 January 2018. 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			
			3rd quarter ended 30 September 2018	3rd quarter ended 30 September 2017 (Restated)	9 months ended 30 September 2018	9 months ended 30 September 2017 (Restated)
Earnings per ordinary share for the period based on profit attributable to equity holders of the Company						
(i)	Based on weighted average number of ordinary shares on issue	S$ cents	0.89	1.03	1.70	1.53
(ii)	On a fully diluted basis	S$ cents	0.89	1.03	1.70	1.53

The above earnings per share is calculated based on the weighted average number of ordinary shares in issue during the period of 877,205,136 (2017: 864,212,909) shares after accounting for new shares issued during the periods.

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

		30 September 2018	31 December 2017
The Group	S$ cents	23.06	22.64
The Company	S$ cents	17.13	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

3rd quarter ended 30 September 2018 ("3Q2018") Vs 3rd quarter ended 30 September 2017 ("3Q2017")
The Group's net profit for 3Q2018 decreased 8% to S$10.4 million from S$11.3 million for the same quarter last year primarily due to decreased gross margin dollars of building products business of Taiga.

The Group's revenue for 3Q2018 were S$436.3 million as compared to S$447.3 million for 3Q2017. Overall gross profit margin decreased by S$10.9 million or 24%. Overall gross margin percentage decreased to 7.8% from 10.0%.

Revenue from the building products business of Taiga for 3Q2018 decreased 3% to S$419.1 million from S$430.6 million over the same quarter last year. Gross margin decreased by S$11.8 million or 29% and gross profit margin percentage decreased to 7.0% in the current quarter compared to 9.5% in the same quarter last year. The decrease in gross margin percentage was primarily due to falling commodity prices in the current quarter compared to the same quarter last year.

Revenue from the paper mill business for 3Q2018 increased 4% to S$14.7 million from S$14.0 million over the same quarter last year. Gross margin percentage increased to 23.2% in the current quarter compared to 15.8% over the same quarter last year. The increase was due to higher selling prices and lower waste paper cost in the current quarter.

The operating and maintenance income and gross profit margin of the power plant business is fairly consistent with the previous corresponding quarter.

"Other gains/(losses), net" for 3Q2018 included a foreign exchange gain of S$2.3 million (3Q2017: S$2.6 million) that arose from the translation of intercompany receivables denominated in Canadian Dollar ("CAD") and United States Dollar ("USD").

Distribution expenses for the 3Q2018 was S$7.6 million compared to S$6.6 million over the same quarter last year. The increase was due primarily to increased compensation costs for warehouse and delivery staff.

Selling and administrative expenses for 3Q2018 decreased to S$16.6 million compared to S$21.2 million over the same quarter last year. The decrease was primarily due to lower accrual to the compensation costs under the pay for performance (P4P) structure at Taiga in the current quarter.

Finance expenses decreased mainly due to lower subordinated notes interest expense at Taiga, following the completion of Taiga's notes restructuring exercise in November 2017. Subordinated notes interest expense for the quarter ended 30 September 2018 was S$0.2 million compared to S$3.0 million over the same quarter last year. The decrease was due to the current total of only C$12.5 million of notes bearing 7% interest as opposed to C$82.8 million of notes bearing 14% interest in the same quarter last year, following the notes restructuring exercise. The decreased in finance expenses was partially offset by increase in interest costs resulted from higher borrowing levels in the current quarter.

9 months ended 30 September 2018 ("9M2018") Vs 9 months ended 30 September 2017 ("9M2017")
The Group's net profit for 9M2018 increased 59% to S$23.6 million from S$14.8 million for the same period last year.

Excluding the effects of the foreign exchange loss of S$1.5 million (9M2017: S$1.6 million), exceptional fair value accounting charge of S$8.5 million relating to the acquisition exercise in 1Q2017 and gain on disposal of asset held-for-sale of S$1.2 million recognised in the previous corresponding period, the Group's net profit would have increased by S$1.4 million or 6% from S$23.7 million for 9M2017 to S$25.1 million for 9M2018.

The Group reported revenue of S$1.2 billion for 9M2018 as compared to S$1.1 billion for 9M2017. The increase in revenue by S$153.9 million or 14% was largely due to the building products business of Taiga. Overall gross profit margin increased by S$17.3 million or 17%. Overall gross margin percentage increased marginally to 9.4% from 9.1%.

Revenue from the building products business of Taiga for 9M2018 increased 15% to S$1.2 billion from S$1.0 billion over the same period last year. Gross margin increased by S$15.5 million or 18% and gross margin percentage increased marginally to 8.5% for 9M2018 compared to 8.3% in the same period last year. The increase in gross margin was primarily due to increased sales in the current period.

Revenue from the paper mill business for 9M2018 increased 6% to S$42.3 million from S$39.9 million over the same period last year. Gross margin percentage increased to 23.9% in the current period compared to 17.0%

over the same period last year. The increase was due to higher selling prices and lower waste paper cost in the current period compared to the same period last year.

The decrease in operating and maintenance income of the power plant business was mainly due to lower electricity generated and sold to Electric Power Generation Enterprise ("EPGE") under current period under review.

“Other losses, net” for 9M2018 included a foreign exchange loss of S$1.5 million (9M2017: S$1.6 million), allowance for impairment of trade receivables of S$1.5 million (9M2017: reversal of S$64k) and financial instruments gain of S$1.0 million (9M2017: loss of S$167k). “Other gains, net” in the previous corresponding period of S$174k also included a gain on disposal of asset held-for-sale amounted to S$1.2 million.

Distribution expense for the 9M2018 was S$20.7 million compared to S$17.1 million over the same period last year. The increase was due primarily to increased compensation costs for warehouse and delivery staff.

Selling and administrative expense for 9M2018 increased to S$55.6 million compared to S$51.3 million over the same period last year. The increase was primarily due to higher compensation costs under pay for performance (“P4P”) structure at Taiga level.

Finance expenses decreased mainly due to lower subordinated notes interest expense at Taiga, following the completion of Taiga’s notes restructuring exercise in November 2017. Subordinated notes interest expense for 9M2018 was S$0.6 million compared to S$7.6 million over the same period last year. The decrease was due to the current total of only C$12.5 million of notes bearing 7% interest as opposed to C$82.8 million of notes bearing 14% interest in the same period last year, following the notes restructuring exercise.

(b) (i) <u>Review of Statement of Financial Position</u>

The Group's total assets increased from S$505.1 million as at 31 December 2017 to S$577.7 million as at 30 September 2018. The increase of S$72.6 million was primarily the result of increased trade receivables and increased inventories partially offset by decreased cash and bank balances. The increase also due to consolidation of the total assets of Exterior Wood, recognition of provisional goodwill of S$11.8 million and intangible assets of S$24.0 million resulting from the acquisition of Exterior Wood by Taiga in July 2018.

Inventories increased to S$156.4 million as at 30 September 2018 compared to S$138.2 million as at 31 December 2017 were mainly due to higher commodity prices at the end of the period.

Trade receivables increased to S$162.3 million as at 30 September 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 increased to S$95.6 million as at 30 September 2018 compared to S$92.1 million as at 31 December 2017. The increase was mainly due to additions of S$9.5 million (including assets of S$6.2 million acquired through acquisition of Exterior Wood) partially offset by depreciation charge of S$5.8 million during the current period.

Intangible assets increased to S$47.4 million as at 30 September 2018 compared to S$27.1 million as at 31 December 2017 mainly due to recognition of additional intangible assets arising from acquisition of Exterior Wood by Taiga. The increase was partially offset by amortisation during the period.

Total liabilities of the Group increased to S$307.2 million as at 30 September 2018 from S$240.0 million as at 31 December 2017. The increase was primarily the result of increased bank borrowings including revolving credit facility balance for acquisition purposes, increased accounts payables and accrued liabilities as well as increased current and deferred tax liabilities as a result of acquisition of Exterior Wood.

The Group's working capital was S$146.0 million as at 30 September 2018 compared to S$147.6 million as at 31 December 2017.

The Group's total equity as at 30 September 2018 amounted to S$270.6 million (31 December 2017: S$265.2 million).

(b) (ii) <u>Review of Statement of Cash Flows</u>

Operating activities generated cash flows of S$88.6 million for 3Q2018 compared to S$64.6 million for the same quarter last year. Operating activities generated cash flows of S$15.9 million for 9M2018 compared to S$24.9 million for the same period last year. Changes between the comparative periods were primarily due to higher working capital requirements, particularly for increased account receivables and inventories attributable to Taiga. The increase in account receivables was due to higher in sales whereas the increase in inventories was due to higher commodity prices.

Investing activities used cash of S$55.6 million for 3Q2018 compared to S$1.5 million over the same quarter last year. The reason for the increase was primarily due to the acquisition of Exterior Wood, Inc. Investing activities used cash of S$57.9 million for 9M2018 compared to S$78.3 million for the same period last year. For the

9M2017, there was also a cash outflow of S$77.8 million used for acquisition of a 58.34% interest in Taiga shares and the acquisition of 35.71% or C$46 million principal amount of Taiga subordinated notes.

Financing activities used cash of S$35.7 million for 3Q2018 compared to S$57.7 million for 3Q2017. Financing activities provided cash of S$21.9 million for 9M2018 compared to S$12.7 million over the same period last year. The increase in cash obtained from financing activities is mainly due to increase in bank borrowings for acquisition purposes.

Overall, the net decrease in cash and cash equivalents for 3Q2018 and 9M2018 were S$2.7 million and S$20.1 million respectively.

As at 30 September 2018, the Group's cash and cash equivalents was S$18.4 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.

On July 31, 2018, the Group through its subsidiary, Taiga completed the acquisition of all the shares of Exterior Wood, Inc. ("Exterior Wood"), a wood treatment facility and distribution centre in Washougal, Washington. Total purchase consideration comprised of C$56,040,000 in exchange for all issued and outstanding common shares of Exterior Wood. The acquisition of Exterior Wood will expand Taiga's existing wood treatment operations at three facilities in Canada, with additional penetration into the United States market.

As announced on 29 September 2018, the Company has completed the acquisition of shares and debts of Kublai Canada Limited. Accordingly, the Company's aggregate shareholdings in Taiga has increased from 57,248,055 Taiga Shares representing 49.2% of Taiga to 75,708,814 Taiga shares representing approximately 65.1% of Taiga.

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 9 month's results are foreign exchange losses amounting to S$1.5 million, compared with a foreign exchange loss of S$1.6 million in 9M2017.

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 recent acquisition of Exterior Wood, Inc is expected to increase Taiga's penetration into the United Stated market.

The Canada Mortgage and Housing Corporation ("CMHC") 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 and range from 192,300 to 203,800 units in 2019. In the United States, the National Association of Home Builders reported in July 2018 that housing starts are forecasted to total 1,317,000 units in 2018 and 1,344,000 units in 2019.

Taiga's sales are typically subject to seasonal variances that fluctuate in accordance with the home building season in Canada and the United States. Taiga generally experiences higher sales in the second and third quarters and reduced sales in the late fall and winter during its first and fourth quarters of each year, when home building activity is low due to the cold weather.

b) Paper mill business
China's policies on the import of solid waste for environmental reasons are expected to influence the price of waste paper, as well as the demand and selling price of industrial paper in the region. The outlook of industrial paper will be supplemented by demand for paper packaging products as the economy grows.

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 largely 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) 3rd Quarter ended 30 September 2018

Any dividend declared for the current financial period reported on?

None

(b) 3rd Quarter ended 30 September 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 third quarter ended 30 September 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 third quarter and nine months ended 30 September 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

9 November 2018