Avarga Limited
and its subsidiary corporations

Condensed Interim financial statements
For the six months ended 30 June 2022

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A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Group		
		6 months ended 30 June 2022	**6 months ended 30 June 2021**	**Increase/ (decrease)**
	Note	S$'000	S$'000	%
Revenue	4	1,379,112	1,443,076	(4)
Cost of sale		(1,185,851)	(1,181,027)	-
Gross profit		193,261	262,049	(26)
Other gains/(losses), net				
- Interest income – bank deposits		8	5	60
- Loss allowance of trade receivables, net		(539)	(968)	(44)
- Others		2,282	10,103	(77)
Distribution expenses		(16,339)	(15,344)	6
Selling and administrative expenses		(87,797)	(117,530)	(25)
Finance expenses		(5,358)	(5,246)	2
Profit before income tax	6	85,518	133,069	(36)
Income tax expense	7	(24,457)	(35,084)	(30)
Net profit		61,061	97,985	(38)
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences arising from consolidation				
- Gains		3,210	2,885	11
Items that will not be reclassified subsequently to profit or loss:				
Financial asset, at FVOCI				
- Fair value (losses)/gains – equity investments		(3)	1,336	nm
Currency translation differences arising from consolidation				
- Gains		1,722	2,489	(31)
Other comprehensive income, net of tax		4,929	6,710	(27)
Total comprehensive income		65,990	104,695	(37)
Net profit attributable to:				
Equity holders of the Company		43,219	71,806	(40)
Non-controlling interests		17,842	26,179	(32)
		61,061	97,985	(38)
Total comprehensive income attributable to:				
Equity holders of the Company		46,426	76,027	(39)
Non-controlling interests		19,564	28,668	(32)
		65,990	104,695	(37)
Earnings per share ("EPS") for profit attributable to equity holders of the Company				
- Basic EPS (cents per share) [A]		4.76	7.75	
- Diluted EPS (cents per share) [B]		4.76	7.75	

nm - not meaningful

[A] The calculation of earnings per ordinary share was based on weighted average number of shares 908,352,000 (First Half 2021: 926,559,000) in issue during the period.

[B] The calculation of earnings per ordinary share (on a fully diluted basis) was based on weighted average number of shares 908,352,000 (First Half 2021: 926,559,000) in issue during the period.

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

		Group		Company	
		30/06/2022	31/12/2021	30/06/2022	31/12/2021
	Note	S$'000	S$'000	S$'000	S$'000
ASSETS					
Current Assets					
Inventories		253,614	242,559	-	-
Service concession receivables*		16,553	16,077	-	-
Trade receivables		281,623	149,212	-	183
Other receivables		11,339	9,131	142,011	121,792
Prepaid operating expenses		5,808	4,680	19	21
Cash and cash equivalents		14,644	88,257	6,957	4,745
Total Current Assets		583,581	509,916	148,987	126,741
Non-current Assets					
Property, plant and equipment		173,746	173,941	519	236
Investments in subsidiary corporations		-	-	15,422	34,854
Financial asset, at FVPL		220	220	220	220
Financial asset, at FVOCI	10	-	385	-	-
Service concession receivables*		15,272	17,860	-	-
Goodwill on consolidation		33,646	33,005	-	-
Intangible assets		22,103	24,196	-	-
Deferred income tax assets		14,032	8,460	-	-
Total Non-current Assets		259,019	258,067	16,161	35,310
Total Assets		**842,600**	**767,983**	**165,148**	**162,051**
LIABILITIES					
Current Liabilities					
Trade payables and accruals		(185,279)	(168,998)	(253)	(1,536)
Other payables		(87)	(159)	(46)	(86)
Derivatives financial instruments		(141)	(858)	-	-
Bank borrowings	11	(36,488)	(40,591)	-	-
Lease liabilities	11	(6,202)	(5,727)	(128)	(83)
Subordinated notes**	11	(13,463)	(13,275)	-	-
Current income tax liabilities		(30,214)	(33,647)	-	-
Total Current Liabilities		(271,874)	(263,255)	(427)	(1,705)
Non-current Liabilities					
Bank borrowings	11	(8,653)	(9,144)	-	-
Lease liabilities	11	(100,759)	(100,008)	(279)	(1)
Deferred gains		(2,480)	(2,508)	-	-
Provisions		(342)	(393)	-	-
Deferred income tax liabilities		(15,649)	(15,812)	-	-
Total Non-current Liabilities		(127,883)	(127,865)	(279)	(1)
Total Liabilities		**(399,757)**	**(391,120)**	**(706)**	**(1,706)**
NET ASSETS		**442,843**	**376,863**	**164,442**	**160,345**
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	12	169,597	169,597	169,597	169,597
Treasury shares	12	(12,130)	(12,120)	(12,130)	(12,120)
Retained profits		200,317	157,130	6,901	2,794
Other reserves		(17,550)	(20,789)	74	74
		340,234	293,818	164,442	160,345
Non-controlling interests		102,609	83,045	-	-
Total Equity		**442,843**	**376,863**	**164,442**	**160,345**

* 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.

** The Group's Subordinated notes will mature on 17 November 2022.

C. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

THE GROUP

Consolidated statement of changes in equity for the period ended 30 June 2022

	Note	Share capital	Treasury shares	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	S$'000
Balance at 1 January 2022		**169,597**	**(12,120)**	**157,130**	**1,098**	**(21,858)**	**(29)**	**(20,789)**	**83,045**	**376,863**
Profit for the financial period		-	-	43,219	-	-	-	-	17,842	61,061
Other comprehensive income for the financial period		-	-	-	-	3,210	(3)	3,207	1,722	4,929
Total comprehensive income for the financial period		**-**	**-**	**43,219**	**-**	**3,210**	**(3)**	**3,207**	**19,564**	**65,990**
Purchase of treasury shares	12	-	(10)	-	-	-	-	-	-	(10)
Transfer upon disposal of financial assets, at FVOCI	10	-	-	(32)	-	-	32	32	-	-
Balance at 30 June 2022		**169,597**	**(12,130)**	**200,317**	**1,098**	**(18,648)**	**-**	**(17,550)**	**102,609**	**442,843**

Consolidated statement of changes in equity for the period ended 30 June 2021

	Note	Share capital	Treasury shares	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	S$'000
Balance at 1 January 2021		**169,597**	**(2,206)**	**98,494**	**1,451**	**(23,801)**	**(1,035)**	**(23,385)**	**64,371**	**306,871**
Profit for the financial period		-	-	71,806	-	-	-	-	26,179	97,985
Other comprehensive income for the financial period		-	-	-	-	2,885	1,336	4,221	2,489	6,710
Total comprehensive income for the financial period		**-**	**-**	**71,806**	**-**	**2,885**	**1,336**	**4,221**	**28,668**	**104,695**
Purchase of treasury shares		-	(8,924)	-	-	-	-	-	-	(8,924)
Transfer upon disposal of financial assets, at FVOCI	10	-	-	(261)	-	-	261	261	-	-
Dividend paid by a subsidiary company to non-controlling interests		-	-	-	-	-	-	-	(9,239)	(9,239)
Dividends relating to 2020 paid	8	-	-	(7,236)	-	-	-	-	-	(7,236)
Dividends relating to 2021 paid	8	-	-	(3,851)	-	-	-	-	-	(3,851)
Balance at 30 June 2021		**169,597**	**(11,130)**	**158,952**	**1,451**	**(20,916)**	**562**	**(18,903)**	**83,800**	**382,316**

C. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (CONT'D)

THE COMPANY

Statement of changes in equity for the period ended 30 June 2022

	Note	Share capital	Treasury shares	Retained profits/ (Accumulated losses)	Capital reserve	Total reserves	Total equity
		S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balance at 1 January 2022		**169,597**	**(12,120)**	**2,794**	**74**	**74**	**160,345**
Total comprehensive income for the financial period		-	-	4,107	-	-	4,107
Purchase of treasury shares	12	-	(10)	-	-	-	(10)
Balance at 30 June 2022		**169,597**	**(12,130)**	**6,901**	**74**	**74**	**164,442**

Statement of changes in equity for the period ended 30 June 2021

	Note	Share capital	Treasury shares	Retained profits/ (Accumulated losses)	Capital reserve	Total reserves	Total equity
		S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balance at 1 January 2021		**169,597**	**(2,206)**	**5,640**	**74**	**74**	**173,105**
Total comprehensive income for the financial period		-	-	4,295	-	-	4,295
Purchase of treasury shares		-	(8,924)	-	-	-	(8,924)
Dividends relating to 2020 paid	8	-	-	(7,236)	-	-	(7,236)
Dividends relating to 2021 paid	8	-	-	(3,851)	-	-	(3,851)
Balance at 30 June 2021		**169,597**	**(11,130)**	**(1,152)**	**74**	**74**	**157,389**

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Group 6 months ended 30 June 2022 S$'000	Group 6 months ended 30 June 2021 S$'000
Cash flows from operating activities			
Profit before income tax		85,518	133,069
Adjustments for:			
Depreciation of property, plant and equipment	6	6,884	6,783
Amortisation of intangible assets	6	2,655	2,651
Amortisation of deferred gain	6	(64)	(64)
(Gain)/loss on disposal of property, plant and equipment	6	(97)	374
Provisions		(57)	(53)
Loss allowance of trade receivables		539	968
Net fair value gain on derivatives		(717)	(1,025)
Dividend income from listed equity security	6	-	(59)
Finance income		(1,859)	(1,884)
Interest income	6	(8)	(5)
Interest expenses	6	5,358	5,246
Unrealised currency translation losses		4,277	5,015
Operating cash flows before working capital changes		102,429	151,016
Changes in working capital:			
Inventories		(11,055)	(72,910)
Service concession receivables		5,008	4,887
Trade receivables		(132,950)	(208,582)
Other receivables		(2,208)	(5,770)
Prepaid operating expenses		(2,173)	(1,714)
Trade payables and accruals		16,155	88,368
Other payables		(72)	17
Cash used in operations		(24,866)	(44,688)
Interest received		8	5
Interest paid		(3,948)	(4,228)
Income tax paid		(34,206)	(6,101)
Net cash used in operating activities		(63,012)	(55,012)
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,756)	(2,379)
Proceeds from disposal of property, plant and equipment		114	38
Purchase of listed equity security		-	(4,499)
Proceed from disposal of listed equity security		382	2,560
Dividend received from listed equity security		-	59
Net cash used in investing activities		(2,260)	(4,221)
Cash flows from financing activities			
Principal element of lease payments		(2,726)	(2,325)
Changes in revolving credit facility		-	93,343
Proceeds from bank borrowings		7,448	4,120
Repayment of bank borrowings		(12,034)	(10,374)
Interest paid		(1,049)	(1,035)
Purchase of treasury shares		(10)	(8,924)
Dividend paid by a subsidiary corporation to non-controlling interest		-	(9,239)
Dividend paid to equity holders of the Company	8	-	(11,087)
Net cash (used in)/generated from financing activities		(8,371)	54,479
Net decrease in cash and cash equivalents		(73,643)	(4,754)
Cash and cash equivalents at beginning of period		88,257	19,037
Effects of currency translation on cash and cash equivalents		30	(13)
Cash and cash equivalents at end of period		14,644	14,270

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Avarga Limited (the "Company") is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") and incorporated and domiciled in Singapore. These condensed interim consolidated financial statements as at and for the six months ended 30 June 2022 comprise the Company and its subsidiaries (collectively, the Group). The principal activities of the Company are the trading of paper products, investment holding and providing management services. The principal activities of the Group are:

(a) Investment holding;
(b) Manufacture and sale of paper products and trading in recycled fibre;
(c) Design, operate and maintain power plants for electricity generation and sell the electricity produced to Myanmar Government; and
(d) Independent wholesale distributor of building products.

2. Basic of preparation

The condensed interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the financial year ended 31 December 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollar ("S$") which is the Company's functional currency and all values in the tables are rounded to the nearest thousand (S$'000) as indicated.

2.1 New and amended standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period. The adoption of the new and revised standards had no material financial impact on the financial statements of the Group.

2.2 Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the financial year ended 31 December 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Management is of the opinion that there is no instance of application of judgment which is expected to have a significant impact on the amounts recognised in the Group's condensed interim financial statements for six months period ended 30 June 2022.

3. Seasonal operations

The sales of the building products business of the Group, i.e. under Taiga Group are typically subject to seasonal variances that fluctuate in accordance with the normal 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.

The Group's other businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment information

The Group's chief operating decision-maker ("CODM") comprises of the Executive Chairman, Chief Executive Officer, President, Investments and the heads of each business within each primary geographic segment. Management has determined the operating segments based on the reports reviewed by the CODM that are used to make strategic decisions, allocate resources, and assess performance.

The CODM considers the business from a business segment perspective. From a business segment perspective, the Group is organised into business units based on their products and services, and has four reportable operating segments.

(a) The paper mill division manufactures and sells industrial grade paper products, collect and trades in waste paper products.

(b) Power division operates a 50 MW gas-fired generating plant in Yangon, Myanmar.

(c) Wholesale distribution of building products in Canada, United States and overseas.

(d) Others, which include corporate and investments segment.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

The CODM monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Group income taxes are managed on a group basis and are not allocated to operating segments.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the statement of comprehensive income.

4.1 Reportable segments

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

Group

	Paper Mill		Power Plant		Building Products		Others		Total		Adjustments and elimination			Per consolidated financial statements	
	6 months ended 30 June 2022 S$'000	**6 months ended 30 June 2021** S$'000	**6 months ended 30 June 2022** S$'000	**6 months ended 30 June 2021** S$'000	**6 months ended 30 June 2022** S$'000	**6 months ended 30 June 2021** S$'000	**6 months ended 30 June 2022** S$'000	**6 months ended 30 June 2021** S$'000	**6 months ended 30 June 2022** S$'000	**6 months ended 30 June 2021** S$'000	**6 months ended 30 June 2022** S$'000	**6 months ended 30 June 2021** S$'000	**Note**	**6 months ended 30 June 2022** S$'000	**6 months ended 30 June 2021** S$'000
Revenue:															
External customers	21,327	22,936	4,799	5,963	1,352,986	1,414,177	-	-	1,379,112	1,443,076	-	-		1,379,112	1,443,076
Results:															
Finance expenses	(126)	(118)	-	-	(4,774)	(4,681)	(458)	(447)	(5,358)	(5,246)	-	-		(5,358)	(5,246)
Interest income	-	2	-	-	-	-	8	3	8	5	-	-		8	5
Depreciation	(1,287)	(1,185)	(3)	(3)	(5,484)	(5,482)	(110)	(113)	(6,884)	(6,783)	-	-		(6,884)	(6,783)
Amortisation of intangible assets	-	-	-	-	(2,655)	(2,651)	-	-	(2,655)	(2,651)	-	-		(2,655)	(2,651)
Segment profit/(loss) before income tax	(2,312)	1,978	2,075	2,962	86,307	125,751	(552)	2,378	85,518	133,069	-	-		85,518	133,069

	Paper Mill		Power Plant		Building Products		Others		Total		Adjustments and elimination			Per consolidated financial statements	
	30/06/2022 S$'000	**31/12/2021** S$'000	**30/06/2022** S$'000	**31/12/2021** S$'000	**30/06/2022** S$'000	**31/12/2021** S$'000	**30/06/2022** S$'000	**31/12/2021** S$'000	**30/06/2022** S$'000	**31/12/2021** S$'000	**30/06/2022** S$'000	**31/12/2021** S$'000	**Note**	**30/06/2022** S$'000	**31/12/2021** S$'000
Assets:															
Additions to:-															
- Property, plant and equipment	1,333	2,023	-	9	3,684	13,489	391	-	5,408	15,521	-	-		5,408	15,521
Segment assets	62,940	64,340	32,723	34,453	722,428	646,969	10,477	13,761	828,568	759,523	14,032	8,460	A	842,600	767,983
Segment liabilities	9,401	7,765	1,161	903	310,613	295,156	32,719	37,837	353,894	341,661	45,863	49,459	B	399,757	391,120

4.1 Reportable segments (cont'd)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the condensed interim consolidated financial statements.

A The following items are added to segment assets to arrive at total assets reported in the condensed interim statement of financial position.

	Group	
	30/06/2022 S$'000	**31/12/2021** S$'000
Deferred income tax assets	14,032	8,460

B The following items are added to segment liabilities to arrive at total liabilities reported in the condensed interim statement of financial position.

	Group	
	30/06/2022 S$'000	**31/12/2021** S$'000
Income tax liabilities	30,214	33,647
Deferred income tax liabilities	15,649	15,812
	45,863	49,459

The Group's revenue from its products and services are as follows: -

	Group	
	6 months ended 30 June 2022 S$'000	**6 months ended 30 June 2021** S$'000
Sales of goods		
- Paper products	21,327	22,936
- Building products	1,352,986	1,414,177
Operating and maintenance income	2,940	4,079
Finance income	1,859	1,884
	1,379,112	1,443,076

The geographical information on the Group's revenue and non-current assets is not presented as it is not used for segmental reporting purposes.

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group and the Company as at 30 June 2022 and 31 December 2021:

	Group		Company	
	30/06/2022 S$'000	**31/12/2021** S$'000	**30/06/2022** S$'000	**31/12/2021** S$'000
Financial Assets				
Financial asset, at FVOCI	-	385	-	-
Financial asset, at FVPL	220	220	220	220
Cash and bank balances, trade and other receivables and service concession receivables (Amortised cost)	339,431	280,537	148,968	126,720
	339,651	281,142	149,188	126,940
Financial Liabilities				
Trade and other payables, lease liabilities and borrowings (Amortised cost)	(350,931)	(337,032)	(706)	(1,706)
Derivative financial instruments	(141)	(858)	-	-
	(351,072)	(337,890)	(706)	(1,706)

6. Profit before income tax

6.1 Significant items

Profit for the period included the following:

	Group	
	6 months ended 30 June 2022 S$'000	**6 months ended 30 June 2021** S$'000
Dividend income from listed equity security	-	59
Interest income	8	5
Amortisation of deferred gain	64	64
Gain/(loss) on disposal of property, plant and equipment	97	(374)
Government grants	-	35
Interest expenses	(5,358)	(5,246)
- Revolving credit facility and other short-term liabilities	(123)	(312)
- Lease liabilities and bank borrowings	(4,589)	(4,292)
- Subordinated notes	(470)	(468)
- Amortisation of financing costs	(176)	(174)
Depreciation of property, plant and equipment	(6,884)	(6,783)
Amortisation of intangible assets	(2,655)	(2,651)
Inventories written down	(4,457)	(2,652)
Foreign exchange gain, net	1,292	6,965
Bad debt (written off)/recovered	(7)	115
Net fair value gain on derivatives	752	3,155

6.2 Related party transactions

There are no material related party transactions apart from those disclosed elsewhere in the financial statements.

7. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of comprehensive income are:

	Group	
	6 months ended 30 June 2022 S$'000	**6 months ended 30 June 2021** S$'000
Current income tax expense	(27,948)	(35,707)
Deferred tax income	4,036	623
Current and deferred tax adjustments in respect of prior years	(545)	-
	(24,457)	(35,084)

8. Dividends

	Group	
	6 months ended 30 June 2022 S$'000	**6 months ended 30 June 2021** S$'000
Ordinary dividends paid:		
Final tax exempt 2021 dividend of Nil cents per share (2020: 0.78 cents per share)	-	7,236
Interim tax exempt 2022 dividend of Nil cents per share (2021: 0.42 cents per share)	-	3,851
	-	11,087

9. Net Asset Value

	Group		Company	
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
	S$ cents	S$ cents	S$ cents	S$ cents
Net asset value per ordinary share	37.46	32.35	18.10	17.65

As at the end of the reporting period, the number of ordinary shares of the Group used for the above calculation had been adjusted to exclude treasury shares.

10. Financial assets, at FVOCI

Financial assets at fair value through other comprehensive income comprise the following:

	Group	
	30/06/2022	31/12/2021
	S$'000	S$'000
Malaysia listed equity securities		
- Classic Scenic Berhad	-	-
- Straits Energy Resources Bhd (Formerly known as Straits Inter Logistics Berhad)	-	385
	-	385

During the interim period ended 30 June 2021, the Group disposed off all of its shares of Classic Scenic Berhad for a total consideration of approximately S$2,560,000 (MYR7,800,000). These investments had a fair value gain of S$774,000 at the date of disposal. The cumulative loss on disposal of S$261,000 was reclassified from fair value reserve to retained profits.

During the interim period ended 30 June 2022, the Group disposed off all of its shares of Straits Energy Resources Bhd for a total consideration of approximately S$382,000 (MYR1,182,000). The disposal had a fair value loss of S$3,000 at the dates of disposal and a cumulative loss on disposal of S$32,000, which was reclassified from fair value reserve to retained profits.

10.1 Fair value measurement

The table below presents assets and liabilities recognised and measured at fair value and classified by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
(c) inputs for the asset or liability that are not based on observables market data (unobservable inputs) (Level 3).

	Level 1	Level 2	Level 3	Total
	S$'000	S$'000	S$'000	S$'000
Group				
30 June 2022				
Financial assets				
FVPL	-	-	220	220
Financial liabilities				
Derivative financial instruments	-	(141)	-	(141)
31 December 2021				
Financial assets				
FVPL	-	-	220	220
FVOCI (Quoted investments)	385	-	-	385
Financial liabilities				
Derivative financial instruments	-	(858)	-	(858)

10.1 Fair value measurement (cont'd)

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
<u>Company</u>				
30 June 2022				
Financial assets				
FVPL	-	-	220	220
31 December 2021				
Financial assets				
FVPL	-	-	220	220

11. Group's borrowings and debt securities

	Group 30/06/2022 S$'000	Group 31/12/2021 S$'000
Secured borrowings		
Repayable within one year	6,898	6,402
Repayable after one year	107,832	107,208
	114,730	113,610
Unsecured borrowings		
Repayable within one year	49,255	53,191
Repayable after one year	1,580	1,944
	50,835	55,135

<u>Security granted</u>
The Group's secured borrowings comprise bank borrowings of S$7,769,000 (2021: S$7,875,000) and lease liabilities of S$106,961,000 (2021: S$105,735,000).

The revolving credit facility and bank borrowings are secured by a first perfected security interest in all real and personal property of 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 the United States.

Lease liabilities of the Group are effectively secured over the right-of-use assets.

<u>Revolving credit facility</u>
On 28 June 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. 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 Taiga and certain of its subsidiary corporations, and will mature on 28 June 2023. Taiga's ability to borrow under the Facility is based upon a defined percentage of accounts receivable and inventories.

12. Share capital and treasury shares

	Group and Company – Number of shares: Issued share capital '000	Number of shares: Treasury shares '000	Amount: Share capital S$'000	Amount: Treasury shares S$'000
Balance as at 1 January 2022	950,145	(41,790)	169,597	(12,120)
Treasury shares purchases	-	(42)	-	(10)
Balance as at 30 June 2022	950,145	(41,832)	169,597	(12,130)
Balance as at 1 January 2021	950,145	(9,339)	169,597	(2,206)
Treasury shares purchases	-	(32,451)	-	(9,914)
Balance as at 31 December 2021	950,145	(41,790)	169,597	(12,120)

The Company has no outstanding convertibles as at 30 June 2022 and 30 June 2021.

12. Share capital and treasury shares (cont'd)

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2022 and 30 June 2021.

As at 30 June 2022, the issued and paid-up capital excluding treasury shares comprised 908,313,642 (31 December 2021: 908,355,942) ordinary shares.

As at 30 June 2022, the number of treasury shares represented 4.61% (30 June 2021: 4.20%) of the total number of issued shares excluding treasury shares.

As at 30 June 2022, there were no sales, transfers, cancellation and/or use of treasury shares and subsidiary holdings.

13. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

F. OTHER INFORMATION

1. Review

The condensed consolidated statement of financial position of Avarga Limited and its subsidiaries as at 30 June 2022 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2. Review of performance of the group

Group financial performance by business segments

1st half year ended 30 June 2022 ("1H2022") Vs 1st half year ended 30 June 2021 ("1H2021")

	1H2022 S$'000	Contribution %	1H2021 S$'000	Contribution %
Revenue				
Paper manufacturing	21,327	2	22,936	2
Building products	1,352,986	98	1,414,177	98
Power plant	4,799	-	5,963	-
	1,379,112	100	1,443,076	100
Gross profit/(loss)				
Paper manufacturing	(62)	-	4,135	2
Building products	191,181	99	254,749	97
Power plant	2,142	1	3,165	1
	193,261	100	262,049	100

Overview

For 1H2022, the Group reported net profit of S$61.1 million, a decrease of 38% or S$36.9 million from S$98.0 million for 1H2021.

The Group's revenue for 1H2022 was S$1.379 billion, compared to S$1.443 billion for 1H2021. Overall gross profit decreased by S$68.8 million or 26% to S$193.3 million. Overall gross profit margin percentage decreased from 18.2% for 1H2021 to 14.0% for 1H2022.

Revenue

Revenue from the building products business of Taiga accounted for more than 95% of Group's revenue. Revenue from the building products business of Taiga for 1H2022 was S$1.353 billion compared to S$1.414 billion over the same period last year. The decrease in revenue from Taiga was largely due to lower selling prices for its commodity products during the period under review.

Gross margin

Gross margin from the building products business for 1H2022 decreased by S$63.5 million or 25% to S$191.2 million from S$254.7 million over the same period last year. Gross profit margin percentage of the building products business decreased from 18.0% for 1H2021 to 14.1% for 1H2022. These decreases were primarily due to falling commodity price.

Other gains

Other income for 1H2022 included a foreign exchange gain of S$1.3 million (1H2021: S$7.0 million) that arose mainly from the translation of intercompany receivables denominated in Canadian dollar and United States Dollar and a net fair value gain on derivatives of S$0.8 million (1H2021: S$3.1 million).

Expenses

Distribution expenses were S$16.3 million and S$15.3 million for 1H2022 and 1H2021 respectively. The increase was primarily due to higher distribution expenses for fuel, insurance and property taxes.

Selling and administrative expenses for 1H2022 were S$87.8 million as compared to S$117.5 million over the same period last year. The decrease was primarily due to decreased compensation costs.

Finance expenses for 1H2022 were S$5.4 million as compared to S$5.2 million over the same period last year. The increase was primarily due to higher interest rates in the current period.

(a) Review of Statement of Financial Position

The Group's total assets increased from S$768.0 million as at 31 December 2021 to S$842.6 million as at 30 June 2022. The increase of S$74.6 million was primarily the result of higher trade receivables and inventories partially offset by lower cash and bank balances.

Property, plant and equipment remained constant at approximately S$174.0 million as at 30 June 2022 and 31 December 2021. Depreciation charge for the period was S$6.9 million. The net book value of right of use assets as included in property, plant and equipment as at 30 June 2022 was S$100.9 million after depreciation charge for ROU of S$3.8 million for the current period.

Trade receivables increased to S$281.6 million as at 30 June 2022 compared to S$149.2 million as at 31 December 2021 primarily due to selling of larger quantities of products by Taiga during the peak seasons.

Inventories increased to S$253.6 million as at 30 June 2022 compared to S$242.6 million as at 31 December 2021, primarily due to inventories build up in preparation for the summer season.

Total liabilities of the Group increased to S$399.8 million as at 30 June 2022 from S$391.1 million as at 31 December 2021. The increase was primarily due to increased trade payable and accruals to fund the working capital increase in inventories, partially offset by decreased bank borrowings and income taxes payables.

The Group's working capital was S$311.7 million as at 30 June 2022 compared to S$246.7 million as at 31 December 2021.

The Group's total equity as at 30 June 2022 amounted to S$442.8 million (31 December 2021: S$376.9 million).

(b) Review of Statement of Cash Flows

Cash flows from operating activities used cash of S$63.0 million for 1H2022 compared to S$55.0 million for the same period last year. The change between the comparative periods were primarily due to changes in non-cash working capital, particularly due to decreased accounts receivable, decreased inventories and decreased account payables and accruals.

Investing activities used cash of S$2.3 million for 1H2022 compared to S$4.2 million for the same period last year. The change was mainly due to there was purchase of additional listed equity security in the last financial period under review.

Financing activities used cash of S$8.4 million for the 1H2022 compared to cash generated of S$54.5 million for the same period last year. The change between the comparative periods were primarily due to reduced borrowing from Taiga’s revolving credit facility during the current period offset by dividends paid in the same period last year.

Overall, the net decrease in cash and cash equivalents for 1H2022 was S$73.6 million.

As at 30 June 2022, the Group's cash and cash equivalents was S$14.6 million.

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

No forecast was previously provided.

4. 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.

The Group operates across a diversified range of industries and countries, each with different effects from the COVID-19 pandemic. The impact of the COVID-19 pandemic on the Group is mitigated by the essential nature of many of the Group's businesses, and is further discussed below. Aside from managing the economic and financial challenges that arise from the impact of COVID-19, the Group will continue to focus on improving operational efficiency for its portfolio of businesses and evaluate opportunities for growth.

Increased geographical diversity of the Group's assets also results in greater exposure to currency volatility when earnings are translated back to SGD. Included in the half year results for FY2022 was a currency exchange gain of S$1.3 million, compared to S$7.0 million for 1H2021.

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 and secondary markets are Canada and the United States respectively.

The outbreak of COVID-19 has spread across the globe and is continues to impact worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. As at the Taiga's financial statement approval date, the pandemic has had a positive impact on Taiga's business and financial performance in the first two quarters of fiscal 2022. This is a direct result of the increased demand for detached housing, high commodity prices and low borrowing rates experienced during the period. However, commodity prices have been volatile at times during the pandemic including a drastic decline in the third quarter of fiscal year 2021 although prices did recover in the subsequent quarter.

The extent to which COVID-19 may continue to impact Taiga's business activities in the same manner in future periods will depend on a number of factors, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, the rate at which vaccines are administered, the effectiveness of vaccines against the coronavirus and its mutations, subsequent outbreaks, business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease, the demand for detached housing in North America, future commodity prices, interest rates and the strength of the general economy. These events are highly uncertain and as such, Taiga cannot predict with any certainty how the progression of the coronavirus pandemic and these events will ultimately impact Taiga's financial performance in 2022.

In Canada, according to the Canada Mortgage and Housing Corporation ("CMHC") in their Spring 2022 Housing Market Outlook, housing starts in Canada are expected to range between 247,700 and 273,100 units in 2022 compared to 217,198 units in 2021. In the United States, the National Association of Home Builders reported in July 2022 that housing starts are forecasted to total 1,527,000 units in the 2022 calendar year compared to 1,605,000 units in calendar year 2021.

b) Paper manufacturing business

The paper manufacturing division in Malaysia was affected by substantial cost pressures in 1H2022 amid an inflationary environment and a more competitive market.

The division was faced with sharply higher raw material and operating costs, notably for waste paper, energy and chemicals. In 1H2022, there were substantial increases in electricity and gas tariffs, as well as an increase in Malaysia's minimum wages. These cost increases have yet to be fully passed down to consumers, as average selling prices have been relatively stable.

Due to these cost pressures, margin compression resulted in a loss before interest, tax, depreciation and amortisation of RM2.8 million in 1H2022, compared with EBITDA of RM10 million in 1H2021. Revenue in 1H2022 declined by 5.3% to RM66.8 million, while volume sales fell 9.4% to 28,298 tonnes.

The Group will focus on cost efficiency and optimising product mix to mitigate these challenges.

c) Power plant business

The power plant in Myanmar started operations on 11 February 2014, and has now entered its ninth year of operations. Earnings for the power plant are largely backed by a 30-year power purchase agreement, expiring in February 2044, with the Electric Power Generation Enterprise ("EPGE"), under Myanmar's Ministry of Electricity and

Energy. The power plant underwent scheduled major overhaul throughout 2019-2020, with overhaul of the last of the 13 machines completed in July 2020.

Production of electricity was not affected by the COVID-19 pandemic given the need for electricity supply in Myanmar, where electrification rates are low.

The plant produced 163.4 million kWh of electricity in 1H2022. This was a decline of 15.6% from 193.5 million kWh in 1H 2021, mainly due to scheduled gas pipeline maintenance. The plant is committed to produce a minimum of 350 million kWh per year.

On 1 February 2021, the Tatmadaw assumed control of the government and announced a state of emergency in Myanmar. Currently, operations at our power plant have continued as normal and have not been affected by these developments. We continue to monitor these developments closely.

5. Dividend information

(a) 1st Half period ended 30 June 2022

Any dividend declared for the current financial period reported on? No

(b) 1st Half period ended 30 June 2021

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

Name of dividend	Tax-exempt one tier
Dividend type	Interim
Dividend amount per Share (in S$ cents)	0.42 cents
Tax rate	-

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

(e) If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision

No dividend has been recommended for the current reporting period. Dividends, if any, will be recommended in the announcement of the full year financial statements instead.

6. Interested person transactions

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

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

The Company has received undertakings from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

8. 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 that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six-month period ended 30 June 2022 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Tong Kooi Ong Executive Chairman	Tong Ian Chief Executive Officer

13 August 2022