Avarga Limited
and its subsidiary corporations

Condensed Interim financial statements
For the six months ended 30 June 2021

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A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Group		
		6 months ended 30 June 2021	**6 months ended 30 June 2020**	**Increase/ (decrease)**
	Note	S$'000	S$'000	%
Revenue	4	1,443,076	720,259	100
Cost of sale		(1,181,027)	(637,618)	85
Gross profit		262,049	82,641	217
Other gains/(losses), net				
- Interest income – bank deposits		5	130	(96)
- Loss allowance of trade receivables, net		(968)	(33)	2,833
- Others		10,103	388	2,504
Distribution expenses		(15,344)	(13,511)	14
Selling and administrative expenses		(117,530)	(36,612)	221
Finance expenses		(5,246)	(5,550)	(5)
Profit before income tax	6	133,069	27,453	385
Income tax expense	7	(35,084)	(7,068)	396
Net profit		97,985	20,385	381
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences arising from consolidation				
- Gains		2,885	2,017	43
Items that will not be reclassified subsequently to profit or loss:				
Financial asset, at FVOCI				
- Fair value gains/(losses) – equity investments		1,336	(654)	nm
Currency translation differences arising from consolidation				
- Gains		2,489	154	1,516
Other comprehensive income, net of tax		6,710	1,517	342
Total comprehensive income		104,695	21,902	378
Net profit attributable to:				
Equity holders of the Company		71,806	14,924	381
Non-controlling interests		26,179	5,461	379
		97,985	20,385	381
Total comprehensive income attributable to:				
Equity holders of the Company		76,027	16,287	367
Non-controlling interests		28,668	5,615	411
		104,695	21,902	378
Earnings per share ('EPS") for profit attributable to equity holders of the Company				
- Basic EPS (cents per share) [A]		7.75	1.57	
- Diluted EPS (cents per share) [B]		7.75	1.57	

nm - not meaningful

[A] The calculation of earnings per ordinary share was based on weighted average number of shares 926,559,000 (First Half 2020: 947,094,000) 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 926,559,000 (First Half 2020: 947,094,000) in issue during the period.

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

		Group		Company	
		30/06/2021	31/12/2020	30/06/2021	31/12/2020
	Note	S$'000	S$'000	S$'000	S$'000
ASSETS					
Current Assets					
Inventories		275,584	202,674	-	-
Service concession receivables*		15,994	15,732	-	-
Trade receivables		353,618	146,004	140	180
Other receivables		11,596	5,898	114,690	134,195
Prepaid operating expenses		4,836	3,780	20	14
Derivatives financial instruments		822	-	-	-
Cash and cash equivalents		14,270	19,037	7,375	4,280
Total Current Assets		676,720	393,125	122,225	138,669
Non-current Assets					
Property, plant and equipment		178,559	170,357	343	453
Investments in subsidiary corporations		-	-	34,854	34,854
Financial asset, at FVPL		500	500	500	500
Financial asset, at FVOCI	10	5,061	1,786	-	-
Service concession receivables*		21,167	23,760	-	-
Goodwill on consolidation		33,447	32,303	-	-
Intangible assets		27,039	28,859	-	-
Deferred income tax assets		-	277	-	-
Total Non-current Assets		265,773	257,842	35,697	35,807
Total Assets		**942,493**	**650,967**	**157,922**	**174,476**
LIABILITIES					
Current Liabilities					
Trade payables and accruals		(223,827)	(132,742)	(292)	(1,066)
Other payables		(172)	(155)	(92)	(93)
Derivatives financial instruments		-	(203)	-	-
Revolving credit facility	11	(102,463)	(9,074)	-	-
Bank borrowings	11	(41,442)	(45,401)	-	-
Lease liabilities	11	(5,828)	(4,771)	(130)	(128)
Current income tax liabilities		(32,677)	(4,950)	-	-
Total Current Liabilities		(406,409)	(197,296)	(514)	(1,287)
Non-current Liabilities					
Bank borrowings	11	(9,789)	(11,862)	-	-
Lease liabilities	11	(103,546)	(94,783)	(19)	(84)
Deferred gains		(2,625)	(2,575)	-	-
Provisions		(456)	(488)	-	-
Subordinated notes	11	(13,550)	(12,975)	-	-
Deferred income tax liabilities		(23,802)	(24,117)	-	-
Total Non-current Liabilities		(153,768)	(146,800)	(19)	(84)
Total Liabilities		**(560,177)**	**(344,096)**	**(533)**	**(1,371)**
NET ASSETS		**382,316**	**306,871**	**157,389**	**173,105**
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	(11,130)	(2,206)	(11,130)	(2,206)
Retained profits/Accumulated losses		158,952	98,494	(1,152)	5,640
Other reserves		(18,903)	(23,385)	74	74
		298,516	242,500	157,389	173,105
Non-controlling interests		83,800	64,371	-	-
Total Equity		**382,316**	**306,871**	**157,389**	**173,105**

* 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.

C. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

THE GROUP

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	12	-	(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**

Consolidated statement of changes in equity for the period ended 30 June 2020

	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 2020		**169,582**	**(628)**	**54,651**	**360**	**(21,902)**	**(857)**	**(22,399)**	**51,619**	**252,825**
Profit for the financial period		-	-	14,924	-	-	-	-	5,461	20,385
Other comprehensive income for the financial period		-	-	-	-	2,017	(654)	1,363	154	1,517
Total comprehensive income for the financial period		**-**	**-**	**14,924**	**-**	**2,017**	**(654)**	**1,363**	**5,615**	**21,902**
Warrants 2017 conversion	12	15	-	-	-	-	-	-	-	15
Purchase of treasury shares		-	(9)	-	-	-	-	-	-	(9)
Effect of subsidiary's shares buyback and cancelled		-	-	236	192	(59)	-	133	(2,143)	(1,774)
Acquisition of non-controlling interests without a change in control		-	-	-	927	-	-	927	(2,918)	(1,991)
Balance at 30 June 2020		**169,597**	**(637)**	**69,811**	**1,479**	**(19,944)**	**(1,511)**	**(19,976)**	**52,173**	**270,968**

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

THE COMPANY

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 profit for the financial period		-	-	4,295	-	-	4,295
Purchase of treasury shares	12	-	(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**

Statement of changes in equity for the period ended 30 June 2020

	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 2020		**169,582**	**(628)**	**2,923**	**74**	**74**	**171,951**
Total comprehensive loss for the financial period		-	-	(1,038)	-	-	(1,038)
Warrants 2017 conversion	12	15	-	-	-	-	15
Purchase of treasury shares		-	(9)	-	-	-	(9)
Balance at 30 June 2020		**169,597**	**(637)**	**1,885**	**74**	**74**	**170,919**

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

		Group	
		6 months ended 30 June 2021	6 months ended 30 June 2020
	Note	S$'000	S$'000
Cash flows from operating activities			
Profit before income tax		133,069	27,453
Adjustments for:			
Depreciation of property, plant and equipment	6	6,783	6,367
Amortisation of intangible assets	6	2,651	2,622
Amortisation of deferred gain	6	(64)	(61)
Loss/(gain) on disposal of property, plant and equipment	6	374	(6)
Provisions		(53)	(49)
Loss allowance of trade receivables		968	33
Net fair value (gain)/loss on derivatives		(1,025)	154
Dividend income from listed equity security	6	(59)	(39)
Finance income		(1,884)	(2,124)
Interest income	6	(5)	(130)
Interest expenses	6	5,246	5,550
Unrealised currency translation losses		5,015	2,373
Operating cash flows before working capital changes		151,016	42,143
Changes in working capital:			
Inventories		(72,910)	29,566
Service concession receivables		4,887	1,453
Trade receivables		(208,582)	(105,338)
Other receivables		(5,770)	(973)
Prepaid operating expenses		(1,714)	(3,599)
Trade payables and accruals		88,368	25,486
Other payables		17	(706)
Cash used in operations		(44,688)	(11,968)
Interest received		5	130
Interest paid		(4,228)	(3,759)
Income tax paid		(6,101)	(18,849)
Net cash used in operating activities		(55,012)	(34,446)
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,379)	(1,998)
Proceeds from disposal of property, plant and equipment		38	6
Purchase of listed equity security		(4,499)	-
Proceed from disposal of listed equity security		2,560	-
Dividend received from listed equity security		59	39
Net cash used in investing activities		(4,221)	(1,953)
Cash flows from financing activities			
Principal element of lease payments		(2,325)	(2,412)
Changes in revolving credit facility		93,343	50,295
Proceeds from bank borrowings		4,120	4,500
Repayment of bank borrowings		(10,374)	(10,569)
Interest paid		(1,035)	(957)
Acquisition of non-controlling interest		-	(1,991)
Purchase of treasury shares		(8,924)	(9)
Proceeds from the issuance of shares from warrants conversions		-	15
Purchase of treasure shares by a subsidiary corporation		-	(1,774)
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 generated from financing activities		54,479	37,098
Net (decrease)/increase in cash and cash equivalents		(4,754)	699
Cash and cash equivalents at beginning of period		19,037	19,245
Effects of currency translation on cash and cash equivalents		(13)	(20)
Cash and cash equivalents at end of period		14,270	19,924

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 as at and for the six months ended 30 June 2021 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
(d) Independent wholesale distributor of building products

2. Basic of preparation

The condensed interim financial statements for the six months ended 30 June 2021 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 2020.

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$") and all values in the tables are rounded to the nearest thousand (S$'000) as indicated.

2.1 New and amended standards adopted by the Group

A number or amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or made retrospective adjustments as a result of adopting those standards.

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 2020.

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 2021.

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 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 year.

4. Segment information

The Group's chief operating decision-maker ("CODM") comprises of the Chief Executive Officer, the Chief Operating 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 Ywama, Myanmar.

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

(d) Others which include investment/corporate segment focus on identifying new investment opportunities locally and overseas that has the potential to increase revenue streams and produce good returns on investments.

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**		**Note**	**Per consolidated financial statements**	
	6 months ended 30 June 2021 S$'000	**6 months ended 30 June 2020** S$'000	**6 months ended 30 June 2021** S$'000	**6 months ended 30 June 2020** S$'000	**6 months ended 30 June 2021** S$'000	**6 months ended 30 June 2020** S$'000	**6 months ended 30 June 2021** S$'000	**6 months ended 30 June 2020** S$'000	**6 months ended 30 June 2021** S$'000	**6 months ended 30 June 2020** S$'000	**6 months ended 30 June 2021** S$'000	**6 months ended 30 June 2020** S$'000		**6 months ended 30 June 2021** S$'000	**6 months ended 30 June 2020** S$'000
Revenue:															
External customers	22,936	19,374	5,963	8,341	1,414,177	692,544	-	-	1,443,076	720,259	-	-		1,443,076	720,259
Results:															
Finance expenses	(118)	(2)	-	-	(4,681)	(5,032)	(447)	(516)	(5,246)	(5,550)	-	-		(5,246)	(5,550)
Interest income	2	119	-	-	-	-	3	11	5	130	-	-		5	130
Depreciation	(1,185)	(1,145)	(3)	(3)	(5,482)	(5,108)	(113)	(111)	(6,783)	(6,367)	-	-		(6,783)	(6,367)
Amortisation of intangible assets	-	-	-	-	(2,651)	(2,622)	-	-	(2,651)	(2,622)	-	-		(2,651)	(2,622)
Segment profit/(loss) before income tax	1,978	2,274	2,962	3,224	125,751	25,085	2,378	(3,130)	133,069	27,453	-	-		133,069	27,453

	Paper Mill		**Power Plant**		**Building Products**		**Others**		**Total**		**Adjustments and elimination**		**Note**	**Per consolidated financial statements**	
	30/06/2021 S$'000	**31/12/2020** S$'000	**30/06/2021** S$'000	**31/12/2020** S$'000	**30/06/2021** S$'000	**31/12/2020** S$'000	**30/06/2021** S$'000	**31/12/2020** S$'000	**30/06/2021** S$'000	**31/12/2020** S$'000	**30/06/2021** S$'000	**31/12/2020** S$'000		**30/06/2021** S$'000	**31/12/2020** S$'000
Assets:															
Additions to:-															
- Property, plant and equipment	699	1,574	-	-	10,605	7,238	-	9	11,304	8,821	-	-		11,304	8,821
Segment assets	64,130	70,238	37,960	39,886	824,064	531,522	16,339	9,044	942,493	650,690	-	277	A	942,493	650,967
Segment liabilities	7,850	12,744	810	1,609	455,897	260,226	39,141	40,450	503,698	315,029	56,479	29,067	B	560,177	344,096

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	
	30/06/2021 S$'000	**31/12/2020** S$'000
Deferred income tax assets	-	277

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

	Group	
	30/06/2021 S$'000	**31/12/2020** S$'000
Income tax payables	32,677	4,950
Deferred income tax liabilities	23,802	24,117
	56,479	29,067

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

	Group	
	6 months ended 30 June 2021 S$'000	**6 months ended 30 June 2020** S$'000
Sales of goods		
- Paper products	22,936	19,374
- Building products	1,414,177	692,544
Operating and maintenance income	4,079	6,217
Finance income	1,884	2,124
	1,443,076	720,259

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 2021 and 31 December 2020:

	Group		Company	
	30/06/2021 S$'000	**31/12/2020** S$'000	**30/06/2021** S$'000	**31/12/2020** S$'000
Financial Assets				
Financial assets, at FVOCI	5,061	1,786	-	-
Financial assets, at FVPL	500	500	500	500
Cash and bank balances and trade and other receivables (Amortised cost)	416,645	210,431	122,205	138,655
Derivative financial instruments	822	-	-	-
	423,028	212,717	122,705	139,155
Financial Liabilities				
Trade and other payables, lease liabilities and borrowings (Amortised cost)	(500,617)	(311,085)	(533)	(1,371)
Derivative financial instruments	-	(203)	-	-
	(500,617)	(311,288)	(533)	(1,371)

6. Profit before income tax

6.1 Significant items

Profit for the period included the following:

	Group	
	6 months ended 30 June 2021	**6 months ended 30 June 2020**
	S$'000	S$'000
Dividend income from listed equity security	59	39
Interest income	5	130
Amortisation of deferred gain	64	61
(Loss)/gain on disposal of property, plant and equipment	(374)	6
Government grants	35	3,063
Interest expenses	(5,246)	(5,550)
- Revolving credit facility and other short-term liabilities	(312)	(754)
- Lease liabilities and bank borrowings	(4,292)	(4,177)
- Subordinated notes	(468)	(447)
- Amortisation of financing costs	(174)	(172)
Depreciation of property, plant and equipment	(6,783)	(6,367)
Amortisation of intangible assets	(2,651)	(2,622)
Inventories written down	(2,652)	(757)
Foreign exchange gain/(loss), net	6,965	(2,526)
Bad debt recovered/(written off)	115	(105)
Net fair value gain/(loss) on derivatives	3,155	(173)

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 2021	**6 months ended 30 June 2020**
	S$'000	S$'000
Current income tax expense	(35,707)	(8,587)
Deferred income tax expense	623	1,143
Current and deferred tax adjustments in respect of prior years	-	376
	(35,084)	(7,068)

8. Dividends

	Group	
	6 months ended 30 June 2021	**6 months ended 30 June 2020**
	S$'000	S$'000
Ordinary dividends paid:		
Final tax exempt 2020 dividend of 0.78 cents per share (2019: 0.50 cents per share)	7,236	-*
Interim tax exempt 2021 dividend of 0.42 cents per share (2020: $Nil)	3,851	-
	11,087	-

* The final tax exempt 2019 dividend of 0.50 cents per share approved by shareholders at the annual general meeting held on 26 June 2020 was paid on 15 July 2020.

9. Net Asset Value

	Group		Company	
	30/06/2021	**31/12/2020**	**30/06/2021**	**31/12/2020**
	S$ cents	S$ cents	S$ cents	S$ cents
Net asset value per ordinary share	32.74	25.78	17.26	18.40

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	
	30/06/2021	**31/12/2020**
	S$'000	S$'000
Malaysia listed equity securities		
- Classic Scenic Berhad	-	1,786
- Straits Inter Logistics Berhad	5,061	-
	5,061	1,786

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.

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 2021				
Financial assets				
FVPL	-	-	500	500
FVOCI (Quoted investments)	5,061	-	-	5,061
Derivative financial instruments	-	822	-	822
Financial liabilities				
Derivative financial instruments	-	-	-	-
31 December 2020				
Financial assets				
FVPL	-	-	500	500
FVOCI (Quoted investments)	1,786	-	-	1,786
Financial liabilities				
Derivative financial instruments	-	(203)	-	(203)
Company				
30 June 2021				
Financial assets				
FVPL	-	-	500	500
31 December 2020				
Financial assets				
FVPL	-	-	500	500

11. Group's borrowings and debt securities

	Group	
	30/06/2021	**31/12/2020**
	S$'000	S$'000
Secured borrowings		
Repayable within one year	108,965	14,508
Repayable after one year	111,067	102,513
	220,032	117,021
Unsecured borrowings		
Repayable within one year	40,768	44,738
Repayable after one year	15,818	17,107
	56,586	61,845

Security granted

The Group's secured borrowings comprise a revolving credit facility of S$102,463,000 (2020: S$9,074,000), bank borrowings of S$8,195,000 (2020: S$8,393,000) and lease liabilities of S$109,374,000 (2020: S$99,554,000).

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.

Revolving credit facility

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, which Taiga utilised for the acquisition of Exterior Wood, Inc in July 2018. 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		Amount	
	Issued share capital	**Treasury shares**	**Share capital**	**Treasury shares**
	'000	'000	S$'000	S$'000
Balance as at 1 January 2021	950,145	(9,339)	169,597	(2,206)
Treasury shares purchases	-	(28,957)	-	(8,924)
Balance as at 30 June 2021	950,145	(38,296)	169,597	(11,130)
Balance as at 1 January 2020	950,106	(3,037)	169,582	(628)
Warrants 2017 conversion	39	-	15	-
Treasury shares purchases	-	(6,302)	-	(1,578)
Balance as at 31 December 2020	950,145	(9,339)	169,597	(2,206)

The Company has no outstanding convertibles as at 30 June 2021 and 30 June 2020.

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2021 and 30 June 2020.

As at 30 June 2021, the issued and paid up capital excluding treasury shares comprised 911,849,242 (31 December 2020: 940,806,542) ordinary shares.

As at 30 June 2021, the number of treasury shares represented 4.20% (30 June 2020: 0.33%) of the total number of issued shares excluding treasury shares.

As at 30 June 2021, 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 2021 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 2021 ("1H2021") Vs 1st half year ended 30 June 2020 ("1H2020")

	1H2021 S$'000	Contribution %	1H2020 S$'000	Contribution %
Revenue				
Paper manufacturing	22,936	2	19,374	3
Building products	1,414,177	98	692,544	96
Power plant	5,963	-	8,341	1
	1,443,076	100	720,259	100
Gross profit				
Paper manufacturing	4,135	2	4,286	5
Building products	254,749	97	74,957	91
Power plant	3,165	1	3,398	4
	262,049	100	82,641	100

Overview

The Group achieved record revenue and profitability in first half of year 2021, despite the challenging global economic conditions caused by the spread of the COVID-19 coronavirus pandemic.

The strong performance was attributed to Taiga Building Products Ltd ("**Taiga**"), the building products business of the Group. A surge in commodity prices, particularly lumber, boosted margins for Taiga. In addition, Taiga benefitted from strong housing markets in Canada and the US, caused by record low interest rates, and the trend towards suburban homes as homeowners shifted away from densely populated cities and spent more time working from home due to the COVID-19 pandemic.

For 1H2021, the Group reported net profit of S$98.0 million, an increase of 381% or S$77.6 million from S$20.4 million for 1H2020.

The Group's revenue for 1H2021 was S$1.4 billion, compared to S$720.3 million for 1H2020. Overall gross profit increased by S$179.4 million or 217% to S$262.0 million. Overall gross profit margin percentage increased from 11.5% for 1H2020 to 18.2% for 1H2021.

Revenue

Revenue from the building products business of Taiga for 1H2021 was S$1,414.2 million compared to S$692.5 million over the same period last year. The increase in revenue was largely due to significantly higher selling prices for commodity products during the period which was further impacted by a significant decline in revenue during April 2020 as a result of COVID-19.

Gross margin

Gross margin from the building products business for 1H2021 increased by S$179.8 million or 240% to S$254.7 million from S$74.9 million over the same period last year. Gross profit margin percentage of the building products business increased from 10.8% for 1H2020 to 18.0% for 1H2021. The increase was primarily due to surging commodity prices.

Expenses

Distribution expenses were S$15.3 million and S$13.5 million for 1H2021 and 1H2020 respectively. The increase was primarily due to higher distribution expenses for fuel, insurance and property taxes.

Selling and administrative expenses for 1H2021 were S$117.5 million as compared to S$36.6 million over the same period last year. The increase was primarily due to increased compensation costs.

Finance expenses for 1H2021 were S$5.2 million as compared to S$5.6 million over the same period last year. The decrease was primarily due to lower interest rates combined with reduced borrowing levels.

Other income for 1H2021 included a foreign exchange gain of S$7.0 million (1H2020: foreign exchange loss of S$2.5 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$3.1 million (1H2020: fair value loss of S$0.2 million). Other income also included a Covid-19 related government grants of S$35,000 for 1H2021 while it was S$3.1 million in the previous corresponding period.

(a) Review of Statement of Financial Position

The Group's total assets increased from S$651.0 million as at 31 December 2020 to S$942.5 million as at 30 June 2021. The increase of S$291.5 million was primarily the result of increased inventories and higher trade receivables.

Property, plant and equipment increased to S$178.6 million as at 30 June 2021 compared to S$170.4 million as at 31 December 2020 primarily due to addition of S$11.3 million partially offset by depreciation charge of S$6.8 million during the period. The net book value of right of use assets as included in property, plant and equipment as at 30 June 2021 was S$103.6 million after depreciation charge of S$3.2 million for the current period.

Trade receivables increased to S$353.6 million as at 30 June 2021 compared to S$146.0 million as at 31 December 2020 primarily due to significantly higher commodity prices leading to higher selling prices on products.

Inventories increased to S$275.6 million as at 30 June 2021 compared to S$202.7 million as at 31 December 2020, primarily due to increased values in commodity products.

Total liabilities of the Group increased to S$560.2 million as at 30 June 2021 from S$344.1 million as at 31 December 2020. The increase was primarily due to increased revolving credit facility and accounts payables balances to fund the working capital increase in inventory, combined with an increase in income taxes payable.

The Group's working capital was S$270.3 million as at 30 June 2021 compared to S$195.8 million as at 31 December 2020.

The Group's total equity as at 30 June 2021 amounted to S$382.3 million (31 December 2020: S$306.9 million).

(b) Review of Statement of Cash Flows

Cash flows from operating activities used cash of S$55.0 million for 1H2021 compared to S$34.4 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 increased accounts receivable, increased inventories and increased account payables and accruals.

Investing activities used cash of S$4.2 million for 1H2021 compared to S$1.9 million for the same period last year. The increase was mainly due to purchase of new listed equity security offset by the disposal of all of the existing shares held in the listed equity security during the current financial period.

Financing activities generated cash of S$54.5 million for the 1H2021 compared to S$37.1 million for the same period last year. The increase was due to more borrowing from the Taiga’s revolving credit facility offset by dividends paid during the current financial period.

Overall, the net decrease in cash and cash equivalents for 1H2021 was S$4.7 million.

As at 30 June 2021, the Group's cash and cash equivalents was S$14.3 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 outbreak of the coronavirus, COVID-19, has spread across the globe since early 2020 and has adversely affected worldwide economic activity for well over a year. Conditions surrounding the coronavirus continue to rapidly evolve, especially with the emergence of new variants, and government authorities have implemented emergency measures to mitigate the spread of the virus.

The rollout of vaccines has helped limit the severity of the impact for many developed countries. Countries which have vaccinated large numbers of their population are starting to cautiously reopen their economies. However, it is unclear yet if the vaccines will be effective in mitigating the virus over the longer term, especially as it continues to evolve. For the less developed countries, however, low vaccination rates and the spread of new variants have resulted in further lockdowns and restrictions.

The Group operates across a diversified range of industries and countries, each with different effects from the pandemic. The impact of COVID-19 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 six-month period ended 30 June 2021 was a currency exchange gain of S$7.0 million, compared to currency exchange loss of S$2.5 million for 1H2020.

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 the coronavirus, also known as "COVID-19", has spread across the globe and is impacting 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 fiscal 2020 and the first half of fiscal 2021. This is a direct result of the increased demand for detached housing, record high commodity prices and low borrowing rates experienced during the pandemic. 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, 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 its financial performance in 2021.

In Canada, according to the Canada Mortgage and Housing Corporation ("CMHC") Housing Market Outlook, Canadian Edition for Spring 2021, housing starts are forecasted to range from 221,100 to 230,000 units in the 2021 calendar year compared to the 217,802 starts in 2020. In the United States, the National Association of Home Builders reported in July 2021 that housing starts are forecasted to total 1,643,000 units in the 2021 calendar year compared to 1,380,000 units in calendar year 2020.

As pandemic-related restrictions eased across North America in recent months, consumers diverted money away from home renovations and increased spending on travel and leisure activities. The resulting reduction in demand for renovation products led to a sharp decline in lumber and panel prices, beginning in mid-July. Taiga's third quarter earnings are expected to be negatively impacted by this recent development.

b) Paper mill business

Malaysia imposed a number of Movement Control Orders (MCOs), including an Enhanced MCO and a total lockdown, in 1H2021 to curb the escalating spread of the COVID-19 virus. These controls limited operations for businesses in Malaysia, including a shutdown of most industries in June 2021.

The Paper manufacturing division in Malaysia was affected by these MCOs, which regulated the number of staff allowed to work, and disrupted supply and customer chains. Demand was affected as many of its end customers were not allowed to operate, or faced restrictions. As a result, volume sales declined and costs increased. Despite these challenges, volume sales in 1H2021 declined only marginally by 8% versus 1H2020. Pre-tax profit fell by 11.9% while revenue increased 19.9% due to higher selling prices.

The Group is mindful of the continued risks of developments relating to COVID-19, especially evolving policy restrictions which could affect its supply and customer chains. Meanwhile, China's environmental policies on solid waste are expected to influence the price of waste paper and paper products in the region.

c) Power plant business

The power plant in Myanmar started operations on 11 February 2014, and has now entered its seventh 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. In 1H2021, the plant produced 193.5 million kWh electricity, up 1% from 191.6 million kWh in 1H2020. 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 one-year state of emergency in Myanmar. We are closely monitoring the evolving political developments in Myanmar. Operations at our power plant have continued as normal and have not been affected by these developments.

5. Dividend information

(a) 1st Half period ended 30 June 2021

Any dividend declared for the current financial period reported on?

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

(b) 1st Half period ended 30 June 2020

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)	0.36 cents
Tax rate	-

(c) Date payable

Payment of the interim dividend of 0.42 cents tax-exempt (one-tier) dividend per share for the year ending 31 December 2021 will be made on 17 September 2021 to shareholders registered in the Register of Members of the Company at 5.00pm on 31 August 2021.

(d) Books closure date

Notice is hereby given that the Register of Members and Register of Transfers of the Company will be closed on 1 September 2021 for the purpose of determination of members' entitlements to the proposed dividend.

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 2021 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Tong Kooi Ong Executive Chairman	Tong Ian Chief Executive Officer

14 August 2021