



**Avarga Limited
and its subsidiary corporations**

**Condensed Interim financial statements
For the six months ended 30 June 2024**

<u>Contents</u>	<u>Page</u>
A. Condensed interim consolidated statement of comprehensive income	2
B. Condensed interim statements of financial position (Group and Company)	3
C. Condensed interim statements of changes in equity (Group and Company)	4 - 5
D. Condensed interim consolidated statement of cash flows	6
E. Notes to the condensed interim consolidated financial statements	7 - 14
F. Other information required by Listing Rule Appendix 7.2	15 - 18

A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Group		
		6 months ended 30 June 2024	6 months ended 30 June 2023 (Restated*)	Increase / (decrease)
		S\$'000	S\$'000	%
	Note			
Continuing operations				
Revenue	4	828,390	860,387	(4)
Cost of sale		(742,360)	(761,987)	(3)
Gross profit		86,030	98,400	(13)
Other gains/(losses), net				
- Interest income – bank deposits		2,754	2	137,600
- (Loss allowance)/write back of allowance on trade receivables, net		(196)	1	nm
- Others		400	2,436	(84)
Distribution expenses		(16,659)	(16,085)	4
Selling and administrative expenses		(37,095)	(44,900)	(17)
Finance expenses		(3,386)	(3,493)	(3)
Profit before income tax	6	31,848	36,361	(12)
Income tax expense	7	(8,878)	(10,753)	(17)
Profit from continuing operations		22,970	25,608	(10)
Discontinued operations				
Profit from discontinued operations, net of tax	13	1,432	1,427	-
Net Profit		24,402	27,035	(10)
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences arising from consolidation				
- Gains		3,018	5,401	(44)
Items that will not be reclassified subsequently to profit or loss:				
Currency translation differences arising from consolidation				
- Gains		740	2,772	(73)
Other comprehensive income, net of tax		3,758	8,173	(54)
Total comprehensive income		28,160	35,208	(20)
Net profit attributable to:				
Equity holders of the Company				
- Continuing operations		15,702	17,535	(10)
- Discontinued operations		1,432	1,427	-
		17,134	18,962	(10)
Non-controlling interests				
		7,268	8,073	(10)
		24,402	27,035	(10)
Total comprehensive income attributable to:				
Equity holders of the Company				
		20,152	24,363	(17)
Non-controlling interests				
		8,008	10,845	(26)
		28,160	35,208	(20)
Earnings per share (“EPS”) for profit attributable to equity holders of the Company				
Basic EPS (cents per share) [A]				
- Continuing operations		1.73	1.93	
- Discontinued operations		0.16	0.16	
Diluted EPS (cents per share) [B]				
- Continuing operations		1.73	1.93	
- Discontinued operations		0.16	0.16	

nm - not meaningful

[A] The calculation of earnings per ordinary share was based on weighted average number of shares 908,314,000 (First Half 2023: 908,314,000) 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 908,314,000 (First Half 2023: 908,314,000) in issue during the period.

*The 6 months ended 30 June 2023 Consolidated Statement of Comprehensive income were restated in compliance with SFRS(I) 5 Non-current Assets Held For Sale and Discontinued Operations following the Company's decision to sell its 100% equity interest in UPP Greentech Pte Ltd and its subsidiary, UPP Power (Myanmar) Limited as announced on 21 June 2024. Please see full details in Note 13 to the financial statements for Discontinued operations and Disposal group classified as held for sale.

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

	Note	Group		Company	
		30/06/2024 S\$'000	31/12/2023 S\$'000	30/06/2024 S\$'000	31/12/2023 S\$'000
ASSETS					
Current Assets					
Inventories		194,031	182,686	-	-
Service concession receivables*		-	11,325	-	-
Trade receivables		208,569	118,305	20	-
Other receivables		3,721	5,822	97,514	107,730
Prepaid operating expenses		4,371	5,597	21	17
Derivatives financial instruments		221	-	-	-
Income tax recoverable		14,332	14,284	-	-
Cash and cash equivalents		92,209	172,094	2,124	5,631
		<u>517,454</u>	<u>510,113</u>	<u>99,679</u>	<u>113,378</u>
Assets classified as held for sale	13	11,683	-	11,654	-
Total Current Assets		529,137	510,113	111,333	113,378
Non-current Assets					
Property, plant and equipment		137,521	136,499	648	768
Investments in subsidiary corporations		-	-	12,018	12,018
Financial assets, at FVPL	9	11,601	11,208	-	-
Goodwill on consolidation		31,548	31,380	-	-
Intangible assets		12,455	13,332	-	-
Deferred income tax assets		5,726	5,409	-	-
Total Non-current Assets		198,851	197,828	12,666	12,786
Total Assets		727,988	707,941	123,999	126,164
LIABILITIES					
Current Liabilities					
Trade payables and accruals		(128,546)	(128,516)	(222)	(358)
Other payables		(139)	(140)	(92)	(79)
Derivatives financial instruments		-	(204)	-	-
Bank borrowings	11	(14,472)	(26,740)	-	-
Lease liabilities	11	(6,102)	(5,670)	(137)	(134)
Current income tax liabilities		-	(39)	-	-
		<u>(149,259)</u>	<u>(161,309)</u>	<u>(451)</u>	<u>(571)</u>
Liabilities classified as held for sale	13	(2,576)	-	-	-
Total Current Liabilities		(151,835)	(161,309)	(451)	(571)
Non-current Liabilities					
Lease liabilities	11	(91,433)	(89,582)	(25)	(94)
Deferred gains		(2,043)	(2,115)	-	-
Provisions		(92)	(151)	-	-
Deferred income tax liabilities		(6,409)	(6,736)	-	-
Total Non-current Liabilities		(99,977)	(98,584)	(25)	(94)
Total Liabilities		(251,812)	(259,893)	(476)	(665)
NET ASSETS		476,176	448,048	123,523	125,499
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)	(12,130)	(12,130)	(12,130)
Retained profits/(accumulated losses)		236,494	219,332	(34,018)	(32,042)
Other reserves		(37,351)	(40,357)	74	74
		<u>356,610</u>	<u>336,442</u>	<u>123,523</u>	<u>125,499</u>
Non-controlling interests		119,566	111,606	-	-
Total Equity		476,176	448,048	123,523	125,499

* 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 2024

	Share capital	Treasury shares	Retained profits	Capital reserve	Foreign currency translation reserve	Total reserves	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January 2024	169,597	(12,130)	219,332	818	(41,175)	(40,357)	111,606	448,048
Profit for the financial period	-	-	17,134	-	-	-	7,268	24,402
Other comprehensive income for the financial period	-	-	-	-	3,018	3,018	740	3,758
Total comprehensive income for the financial period	-	-	17,134	-	3,018	3,018	8,008	28,160
Effect of subsidiary's shares buyback and cancelled	-	-	28	(10)	(2)	(12)	(48)	(32)
Balance at 30 June 2024	169,597	(12,130)	236,494	808	(38,159)	(37,351)	119,566	476,176

Consolidated statement of changes in equity for the period ended 30 June 2023

	Share capital	Treasury shares	Retained profits	Capital reserve	Foreign currency translation reserve	Total reserves	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January 2023	169,597	(12,130)	208,039	1,070	(37,534)	(36,464)	103,466	432,508
Profit for the financial period	-	-	18,962	-	-	-	8,073	27,035
Other comprehensive income for the financial period	-	-	-	-	5,401	5,401	2,772	8,173
Total comprehensive income for the financial period	-	-	18,962	-	5,401	5,401	10,845	35,208
Effect of subsidiary's shares buyback and cancelled	-	-	173	(108)	(7)	(115)	(336)	(278)
Balance at 30 June 2023	169,597	(12,130)	227,174	962	(32,140)	(31,178)	113,975	467,438

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

THE COMPANY

Statement of changes in equity for the period ended 30 June 2024

	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 2024	169,597	(12,130)	(32,042)	74	74	125,499
Total comprehensive loss for the financial period	-	-	(1,976)	-	-	(1,976)
Balance at 30 June 2024	169,597	(12,130)	(34,018)	74	74	123,523

Statement of changes in equity for the period ended 30 June 2023

	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 2023	169,597	(12,130)	(3,422)	74	74	154,119
Total comprehensive income for the financial period	-	-	1,165	-	-	1,165
Balance at 30 June 2023	169,597	(12,130)	(2,257)	74	74	155,284

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Group	
		6 months ended 30 June 2024	6 months ended 30 June 2023
		S\$'000	S\$'000
Cash flows from operating activities			
Profit before income tax from continuing operations		31,848	36,361
Profit before income tax from discontinued operations	13	1,772	1,734
Profit before income tax		33,620	38,095
Adjustments for:			
Depreciation of property, plant and equipment		6,469	6,794
Amortisation of intangible assets	6	1,194	2,482
Amortisation of deferred gain	6	(60)	(59)
(Gain)/loss on disposal of property, plant and equipment	6	(10)	25
Changes in provisions		(58)	(55)
Loss allowance/(write back of allowance) on trade receivables		196	(1)
Net fair value (gain)/loss on derivatives		(425)	182
Finance income		(1,879)	(1,575)
Fair value adjustment of financial assets, at FVPL	6	(150)	(435)
Interest income		(2,754)	(19)
Interest expenses	6	3,386	3,493
Unrealised currency translation losses/(gains)		1,619	(1,089)
Operating cash flows before working capital changes		41,148	47,838
Changes in working capital:			
Inventories		(12,422)	40,796
Service concession receivables		4,095	1,422
Trade receivables		(91,365)	(99,411)
Other receivables		2,079	6,861
Prepaid operating expenses		840	(1,877)
Trade payables and accruals		1,842	(10,212)
Other payables		(1)	12
Cash used in operations		(53,784)	(14,571)
Interest received		2,754	19
Interest paid		(1,417)	(2,896)
Income tax paid		(10,019)	(8,113)
Net cash used in operating activities		(62,466)	(25,561)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,300)	(2,944)
Proceeds from disposal of property, plant and equipment		19	17
Purchase of financial assets, at FVPL		-	(9,828)
Net cash used in investing activities		(1,281)	(12,755)
Cash flows from financing activities			
Principal element of lease payments		(2,665)	(883)
Repayment of bank borrowings		(12,288)	(290)
Interest paid		(470)	(2,666)
Purchase of treasury shares by a subsidiary corporation		(32)	(278)
Net cash used in financing activities		(15,455)	(4,117)
Net decrease in cash and cash equivalents		(79,202)	(42,433)
Cash and cash equivalents at beginning of period		172,094	99,815
Effects of currency translation on cash and cash equivalents		724	1,036
Cash and cash equivalents at end of period		93,616	58,418
Cash and bank balances			
- Continuing operations		92,209	58,418
- Discontinued operations	13	1,407	-
		93,616	58,418

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 2024 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. It is considered as discontinued operations due to sale of equity interest in UPP Greentech Pte. Ltd. and UPP Power (Myanmar) Limited; and
- (d) Independent wholesale distributor of building products.

2. Basic of preparation

The condensed interim financial statements for the six months ended 30 June 2024 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 2023.

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 2023.

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 2024.

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

As announced on 21 June 2024, the Company has entered into a conditional sale and purchase agreement (the "SPA") with Greengen Pte. Ltd. (the "Purchaser") for the disposal of its entire shareholding interest of 6,525,000 ordinary shares in its wholly-owned subsidiary, UPP Greentech Pte. Ltd. ("UPP Greentech") to the Purchaser (the "Proposed Disposal").

Upon completion of the Proposed Disposal ("Completion"), the UPP Greentech will cease to be a subsidiary of the Company. Further, as the UPP Greentech holds the entire shareholding interest of UPP Power (Myanmar) Limited ("UPP Power Myanmar"), the Company will transfer and cease to have any interest in UPP Power Myanmar upon Completion. As such upon Completion, the Group will no longer be involved in the power plant business.

Therefore, UPP Greentech and its subsidiary corporation, UPP Power Myanmar were classified as a disposal group held for sale and as a discontinued operation, with comparative information of its performance re-presented accordingly. Details of the discontinued operation are shown in Note 13.

- (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		Building Products		Others		Total for Continuing operations	
	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended
	30 June 2024	30 June 2023	30 June 2024	30 June 2023	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue:								
External customers	12,932	12,521	815,458	847,866	-	-	828,390	860,387
Results:								
Finance expenses	(156)	(190)	(2,914)	(2,605)	(316)	(698)	(3,386)	(3,493)
Interest income	19	-	2,716	-	19	2	2,754	2
Depreciation	(329)	(1,129)	(6,015)	(5,552)	(122)	(110)	(6,466)	(6,791)
Amortisation of intangible assets	-	-	(1,194)	(2,482)	-	-	(1,194)	(2,482)
Segment profit/(loss) before income tax	(1,361)	(1,990)	34,826	39,419	(1,617)	(1,068)	31,848	36,361

	Paper Mill		Power Plant		Building Products		Others		Adjustments and elimination		Note	Total for Continuing operations		Assets/liabilities held for sale (Note 13)		Total for continuing and discontinued operations	
	30/06/2024	31/12/2023	30/06/2024	31/12/2023	30/06/2024	31/12/2023	30/06/2024	31/12/2023	30/06/2024	31/12/2023		30/06/2024	31/12/2023	30/06/2024	31/12/2023	30/06/2024	31/12/2023
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Assets:																	
Additions to:-																	
- Property, plant and equipment	144	506	-	-	6,975	9,038	2	575	-	-		7,121	10,119	1	-	7,122	10,119
Segment assets	<u>33,336</u>	<u>28,294</u>	<u>-</u>	<u>11,622</u>	<u>659,130</u>	<u>628,012</u>	<u>3,781</u>	<u>20,320</u>	<u>20,058</u>	<u>19,693</u>	A	<u>716,305</u>	<u>707,941</u>	<u>11,683</u>	<u>-</u>	<u>727,988</u>	<u>707,941</u>
Segment liabilities	<u>7,093</u>	<u>7,485</u>	<u>-</u>	<u>984</u>	<u>226,258</u>	<u>222,881</u>	<u>9,476</u>	<u>21,768</u>	<u>6,409</u>	<u>6,775</u>	B	<u>249,236</u>	<u>259,893</u>	<u>2,576</u>	<u>-</u>	<u>251,812</u>	<u>259,893</u>

4.1 Reportable segments (cont'd)

Continuing operations

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	
	30/06/2024	31/12/2023
	S\$'000	S\$'000
Income tax recoverable	14,332	14,284
Deferred income tax assets	5,726	5,409
	<u>20,058</u>	<u>19,693</u>

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

	Group	
	30/06/2024	31/12/2023
	S\$'000	S\$'000
Income tax liabilities	-	39
Deferred income tax liabilities	6,409	6,736
	<u>6,409</u>	<u>6,775</u>

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

	Group	
	6 months ended 30 June 2024	6 months ended 30 June 2023
	S\$'000	S\$'000
<u>Continuing operations</u>		
Sales of goods		
- Paper products	12,932	12,521
- Building products	815,458	847,866
	<u>828,390</u>	<u>860,387</u>

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 2024 and 31 December 2023:

	Group		Company	
	30/06/2024	31/12/2023	30/06/2024	31/12/2023
	S\$'000	S\$'000	S\$'000	S\$'000
Financial Assets				
Financial asset, at FVPL	11,601	11,208	-	-
Cash and bank balances, trade and other receivables and service concession receivables (Amortised cost)	304,499	307,546	99,658	113,361
Derivative financial instruments	221	-	-	-
	<u>316,321</u>	<u>318,754</u>	<u>99,658</u>	<u>113,361</u>
Financial Liabilities				
Trade and other payables, lease liabilities and borrowings (Amortised cost)	(234,810)	(244,651)	(476)	(665)
Derivative financial instruments	-	(204)	-	-
	<u>(234,810)</u>	<u>(244,855)</u>	<u>(476)</u>	<u>(665)</u>

6. Profit before income tax

6.1 Significant items

Profit for the period included the following:

	Group	
	6 months ended 30 June 2024 S\$'000	6 months ended 30 June 2023 S\$'000
<u>Continuing operations</u>		
Interest income	2,754	2
Amortisation of deferred gain	60	59
Gain/(loss) on disposal of property, plant and equipment	10	(25)
Interest expenses	(3,386)	(3,493)
- Lease liabilities and bank borrowings	(3,266)	(3,374)
- Amortisation of financing costs	(120)	(119)
Depreciation of property, plant and equipment	(6,466)	(6,791)
Amortisation of intangible assets	(1,194)	(2,482)
(Write down)/reversal of write-down of inventories	(2,098)	498
Foreign exchange (loss)/gains, net	(142)	1,161
Bad debt written off/(recovered)	5	(35)
Net fair value gain on derivatives	275	846
Fair value gains on financial assets, at FVPL (Note 9)	150	435
<u>Discontinued operations</u>		
Interest income	-	17
Depreciation of property, plant and equipment	(3)	(3)
Foreign exchange loss, net	(346)	(55)

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 2024 S\$'000	6 months ended 30 June 2023 S\$'000
<u>Continuing operations</u>		
Current income tax expense	(9,355)	(11,508)
Deferred tax income	477	755
	(8,878)	(10,753)

8. Net Asset Value

	Group		Company	
	30/06/2024 S\$ cents	31/12/2023 S\$ cents	30/06/2024 S\$ cents	31/12/2023 S\$ cents
Net asset value per ordinary share	39.26	36.84	13.60	13.62

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.

9 Financial assets, at FVPL

	Group		Company	
	30/06/2024 S\$'000	31/12/2023 S\$'000	30/06/2024 S\$'000	31/12/2023 S\$'000
Beginning of financial year	11,208	220	-	220
Additions	-	12,223	-	-
Fair value gains/(loss) (Note 6.1)	150	(918)	-	(220)
Currency translation differences	243	(317)	-	-
End of financial year	11,601	11,208	-	-
Unlisted securities:				
- Equity securities – Singapore	9,220	8,813	-	-
- Debt securities – Hong Kong	2,381	2,395	-	-
	11,601	11,208	-	-

The instruments are all mandatorily measured at fair value through profit or loss.

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:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- 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
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000
Group			
30 June 2024			
Financial assets			
FVPL	-	2,381	9,220
Derivative financial instruments	-	221	-
31 December 2023			
Financial assets			
FVPL	-	2,395	8,813
Financial liabilities			
Derivative financial instruments	-	(204)	-

11. **Group's borrowings and debt securities**

	Group	
	30/06/2024	31/12/2023
	S\$'000	S\$'000
Secured borrowings		
Repayable within one year	6,102	5,670
Repayable after one year	91,433	89,582
	97,535	95,252
Unsecured borrowings		
Repayable within one year	14,472	26,740

Security granted

The Group's secured borrowings comprise a revolving credit facility of S\$Nil (2023: S\$Nil) and lease liabilities of S\$97,535,000 (2023: S\$95,252,000).

The revolving credit facility, if utilised, will be 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.

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

Revolving credit facility

On 21 December 2022, Taiga entered into a new C\$250 million senior secured revolving credit facility (the "**Facility**") with a syndicate of lenders led by Bank of Montreal and including Scotiabank, Bank of America, TD Bank and CIBC. The Facility bear interest at variable rates plus variable margin, is secured by a first perfected security interest in all real and personal property of Taiga and certain of its subsidiary corporations, and matures on 20 December 2027. 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	
	Issue share capital	Treasury shares	Share capital	Treasury shares
	'000	'000	S\$'000	S\$'000
Balance as at 1 January 2024 and 30 June 2024	950,145	(41,832)	169,597	(12,130)
Balance as at 1 January 2023 and 30 December 2023	950,145	(41,832)	169,597	(12,130)

The Company has no outstanding convertibles as at 30 June 2024 and 30 June 2023.

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2024 and 30 June 2023.

As at 30 June 2024, the issued and paid-up capital excluding treasury shares comprised 908,313,642 (31 December 2023: 908,313,642) ordinary shares.

As at 30 June 2024, the number of treasury shares represented 4.61% (30 June 2023: 4.61%) of the total number of issued shares excluding treasury shares.

As at 30 June 2024, there were no sales, transfers, cancellation and/or use of treasury shares and subsidiary holdings.

13. Discontinued operations and disposal group classified as held for sale

As announced on 21 June 2024, the Company had entered into a Sale and Purchase agreement (“SPA”) for the disposal of 100% equity interest in UPP Greentech Pte. Ltd. (“UPP Greentech”) and its subsidiary, UPP Power (Myanmar) Limited (“UPP Greentech Group”). In connection therewith, the Company will also assign and transfer the account receivables of S\$12,804,163.59 owing by UPP Greentech to the Company to the purchaser. Following the Company’s decision to sell UPP Greentech Group and in compliance with SFRS(I) 5 Non-current Assets Held-for-Sale and Discontinued Operations, the assets and liabilities of UPP Greentech Group were classified as Assets of disposal group classified as held-for-sale and Liabilities directly associated with disposal group classified as held-for-sale respectively on the consolidated balance sheet as at 30 June 2024. Its financial results have been reclassified to “discontinued Operations” as of 30 June 2024 and its prior periods’ financial results have been restated to reflect this change in presentation in the Consolidated Statement of Comprehensive Income.

As at 30 June 2024, the assets and liabilities held for sale comprised the following major classes and were translated at period end exchange rate.

	Group S\$'000	Company S\$'000
<u>Assets held for sale</u>		
Service concession receivables	9,859	-
Property, plant and equipment	63	-
Other receivables	332	11,654
Income tax recoverable	22	-
Cash and cash equivalents	1,407	-
	11,683	11,654
<u>Liabilities held for sale</u>		
Trade payables and accruals	(2,576)	-

The financial performance and cash flows attributable to the discontinued operation for the period ended 30 June 2024 and 2023 were as follows:

	Group	
	6 months ended 30 June 2024 S\$'000	6 months ended 30 June 2023 S\$'000
<u>Financial performance</u>		
Revenue		
- Operating and maintenance income	3,321	2,722
- Finance income	1,879	1,575
	5,200	4,297
Cost of sale	(2,970)	(2,400)
Gross profit	2,230	1,897
Expenses	(458)	(163)
Profit before income tax	1,772	1,734
Income tax expense	(340)	(307)
Profit from discontinued operations, net of tax	1,432	1,427
Basic/Diluted earnings per share – cents	0.16	0.16
<u>Cash flow</u>		
Net cash from operating activities	5,250	1,745
Net cash used in investing activities	(1)	-
Net cash used in financing activities	-	-
Net increase in cash and cash equivalents	5,249	1,745

14. Subsequent events

On 10 July 2024, the Company announced the completion of the disposal of the entire shareholding in UPP Greentech Pte. Ltd. and its subsidiary, UPP Power (Myanmar) Ltd. As announced on 10 July 2024 and 18 July 2024, the total consideration for the proposed disposal was US\$10,009,744.63 (the “Consideration”) and the determination of the exact amount of the Consideration is subject to further post-completion adjustment, depending on whether any Monetary Compensation is payable and which, if payable, will be set off against the Deposit as described in Section 3.1 of the Company’s announcement dated 21 June 2024. A separate announcement will be made in due course in respect of the adjustment (if any) to the consideration.

F. OTHER INFORMATION

1. Review

The condensed consolidated statement of financial position of Avarga Limited and its subsidiaries as at 30 June 2024 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

(a) Group financial performance by business segments – Continuing operations

1st half year ended 30 June 2024 (“1H2024”) Vs 1st half year ended 30 June 2023 (“1H2023”)

	<u>1H2024</u> S\$'000	<u>Contribution</u> %	<u>1H2023</u> S\$'000	<u>Contribution</u> %
Revenue				
Paper manufacturing	12,932	2	12,521	1
Building products	815,458	98	847,866	99
	828,390	100	860,387	100
Gross profit/(loss)				
Paper manufacturing	195	-	(268)	-
Building products	85,835	100	98,668	100
	86,030	100	98,400	100

Overview

For 1H2024, the Group reported net profit of S\$23.0 million, a decrease of 10% or S\$2.6 million from S\$25.6 million for 1H2023. The Group's revenue for 1H2024 was S\$828.4 million, compared to S\$860.4 million for 1H2023. Overall gross profit decreased by S\$12.4 million or 13% to S\$86.0 million. Overall gross profit margin percentage decreased from 11.4% for 1H2023 to 10.4% for 1H2024.

Based on the business segmental information, building products business continue to contribute more than 95% of the Group's performance.

Revenue and Pre-tax profit

Revenue from the building products business of Taiga for 1H2024 was S\$815.4 million compared to S\$847.9 million over the same period last year. The decrease in revenue was largely due to Taiga selling lower quantities of its commodity products during the period under review. Consequently, segmented pre-tax profit from the building product business division declined by 12% from S\$39.419 million to S\$34.826 million.

In 1H2024, the paper manufacturing division's revenue increased marginally to S\$12.932 million from S\$12.521 million in 1H2023, as we restructured and discontinued producing several product lines. The pre-tax losses for the division narrowed to S\$1.361 million in 1H2024, compared with S\$1.990 million in 1H2023.

Gross margin

Gross margin from the building products business for 1H2024 decreased by S\$12.8 million or 13% to S\$85.8 million from S\$98.6 million over the same period last year. Gross profit margin percentage of the building products business decreased from 11.6% for 1H2023 to 10.5% for 1H2024. These decreases were primarily due to fluctuating commodity prices combined with selling less quantities of commodity products during the current period compared to the same period last year.

Other gains/(losses), net

Other gains/(losses) for 1H2024 included interest income of S\$2.7 million (1H2023: S\$2k) and a net fair value gain on derivatives of S\$0.3 million (1H2023: S\$0.8 million), partially offset by a foreign exchange loss of S\$142k (1H2023: foreign exchange gain of S\$1.2 million), primarily due to the translation of intercompany receivables denominated in Canadian dollars.

Expenses

Distribution expenses were S\$16.6 million and S\$16.1 million for 1H2024 and 1H2023 respectively.

Selling and administrative expenses for 1H2024 were S\$37.1 million as compared to S\$44.9 million over the same period last year. The decrease was primarily due to decreased compensation costs.

Finance expenses for 1H2024 were S\$3.4 million as compared to S\$3.5 million over the same period last year.

(b) Review of Statement of Financial Position

The Group's total assets increased from S\$707.9 million as at 31 December 2023 to S\$728.0 million as at 30 June 2024. The increase of S\$20.1 million was primarily the result of higher trade receivables and inventories partially offset by lower cash and bank balances.

Property, plant and equipment were S\$137.5 million and S\$136.5 million as at 30 June 2024 and 31 December 2023 respectively. Depreciation charge for the period was S\$6.5 million. The net book value of right of use assets as included in property, plant and equipment as at 30 June 2024 was S\$89.1 million after depreciation charge for ROU of S\$3.8 million for the current period.

Trade receivables increased to S\$208.5 million as at 30 June 2024 compared to S\$118.3 million as at 31 December 2023, primarily due to selling of larger quantities of building products by Taiga during peak seasons.

Total liabilities of the Group decreased to S\$251.8 million as at 30 June 2024 from S\$259.9 million as at 31 December 2023. The decrease was primarily due to decreased bank borrowings.

The Group's working capital was S\$377.3 million as at 30 June 2024 compared to S\$348.8 million as at 31 December 2023.

The Group's total equity as at 30 June 2024 amounted to S\$476.2 million (31 December 2023: S\$448.0 million).

(c) Review of Statement of Cash Flows

Cash flows from operating activities used cash of S\$62.5 million for 1H2024 compared to S\$25.6 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 movement in accounts receivable, inventories and account payables and accruals.

Investing activities used cash of S\$1.3 million for 1H2024 compared to S\$12.8 million for the same period last year. Apart from cash flows related to purchase of property, plant and equipment, the net cash used in investing activities for 1H2023 was mainly used for the purchase of financial assets, at FVPL for long term investment purposes.

Financing activities used cash of S\$15.4 million for the 1H2024 compared to S\$4.1 million for the same period last year. The changes were primarily due to increase in repayment of bank borrowings during the current period.

Overall, the net decrease in cash and cash equivalents for 1H2024 was S\$79.2 million.

As at 30 June 2024, the Group's cash and cash equivalents was S\$93.6 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, with different operating environment, outlooks, risks and challenges. The Group will continue to focus on improving operational efficiency for its portfolio of businesses, while mitigating risks, navigating challenges and evaluating 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 first half results for the financial year ending 31 December 2024 as a currency exchange loss of S\$0.5 million, compared to S\$1.2 million for 1HFY2023.

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.

In Canada, according to the Canada Mortgage and Housing Corporation ("CMHC") in their Spring 2024 Housing Market Outlook, housing starts in Canada are expected to range between 215,989 and 232,267 in 2024 compared to 240,267 units in 2023. In the United States, the National Association of Home Builders reported in June 2024 that housing starts are forecasted to total 1,372,000 units in the 2024 calendar year compared to 1,421,000 units in calendar year 2023.

b) Paper manufacturing business

Operating conditions for the paper manufacturing division in Malaysia continue to be challenging amid a very competitive environment. There were also cost pressures from elevated waste paper prices due to the ongoing conflict in the Middle East, which has affected supply chains and freight costs.

Despite the challenging operating environment, the financial performance of our paper manufacturing business continued to improve, although it remained loss-making.

In 1HFY2024, revenue for this division increased by 8.4% to RM45.37 million while pre-tax losses narrowed to RM4.76 million from a pre-tax loss of RM7.61 million in 1HFY2023.

At the end of 2022, we undertook a major restructuring exercise, where we re-strategized our product mix, business focus and downsized our scale of operations. This has reduced output and sales, but also helped to mitigate losses.

While the losses have narrowed, operating conditions will remain very challenging. The Group will continue to endeavour to mitigate losses and turnaround the business, and at the same time evaluate all available options for it.

5. **Dividend information**

(a) **1st Half period ended 30 June 2024**

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

(d) **1st Half period ended 30 June 2023**

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(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 declared or recommended for the current reporting period ended 30 June 2024 as the Company has no distributable reserves.

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 2024 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 2024