



**Avarga Limited  
and its subsidiary corporations**

**Condensed interim consolidated financial statements  
For the six months and full year ended 31 December 2022**

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**A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

		Group					
		2 <sup>nd</sup> half year ended 31 December 2022	2 <sup>nd</sup> half year ended 31 December 2021	Increase/ (decrease)	Full year ended 31 December 2022	Full year ended 31 December 2021	Increase/ (decrease)
	Note	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	4	989,225	992,329	-	2,368,337	2,435,405	(3)
Cost of sale		(871,935)	(919,971)	(5)	(2,057,786)	(2,100,998)	(2)
Gross profit		117,290	72,358	62	310,551	334,407	(7)
Other gains/(losses), net							
- Interest income – bank deposits		72	15	380	80	20	300
- Loss allowance of trade receivables, net		(75)	(349)	(79)	(614)	(1,317)	(53)
- Others		(10,654)	(6,767)	57	(8,372)	3,336	nm
Distribution expenses		(16,315)	(15,246)	7	(32,654)	(30,590)	7
Selling and administrative expenses		(62,097)	(41,729)	49	(149,894)	(159,259)	(6)
Finance expenses		(3,880)	(4,915)	(21)	(9,238)	(10,161)	(9)
Profit before income tax	6	24,341	3,367	623	109,859	136,436	(19)
Income tax expense	7	(8,841)	(786)	1,025	(33,298)	(35,870)	(7)
Net profit		15,500	2,581	501	76,561	100,566	(24)
Other comprehensive income:							
Items that may be reclassified subsequently to profit or loss:							
Currency translation differences arising from consolidation							
- (Losses)/gains		(18,879)	(948)	1,891	(15,669)	1,937	nm
Items that will not be reclassified subsequently to profit or loss:							
Financial asset, at FVOCI							
- Fair value (losses)/gains – equity investments		-	(414)	nm	(3)	922	nm
Currency translation differences arising from consolidation							
- (Losses)/gains		(6,863)	(961)	614	(5,141)	1,528	nm
Other comprehensive (losses)/income, net of tax		(25,742)	(2,323)	1,008	(20,813)	4,387	nm
Total comprehensive (loss)/income		(10,242)	258	nm	55,748	104,953	(47)
Net profit attributable to:							
Equity holders of the Company		7,656	1,493	413	50,875	73,299	(31)
Non-controlling interests		7,844	1,088	621	25,686	27,267	(6)
		15,500	2,581	501	76,561	100,566	(24)
Total comprehensive income/(loss) attributable to:							
Equity holders of the Company		(11,223)	131	nm	35,203	76,158	(54)
Non-controlling interests		981	127	672	20,545	28,795	(29)
		(10,242)	258	nm	55,748	104,953	(47)
Earnings per share (‘EPS’) for profit attributable to equity holders of the Company							
- Basic EPS (cents per share) [A]		0.84	0.16		5.60	7.98	
- Diluted EPS (cents per share) [B]		0.84	0.16		5.60	7.98	

nm - not meaningful

[A] The calculation of earnings per ordinary share was based on weighted average number of shares 908,314,000 (Second Half 2021: 910,397,000) and 908,333,000 (Full year 2021: 918,411,000) in issue during the period/year.

[B] The calculation of earnings per ordinary share (on a fully diluted basis) was based on weighted average number of shares 908,314,000 (Second Half 2021: 910,397,000) and 908,333,000 (Full year 2021: 918,411,000) in issue during the period/year.

## B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

	Note	Group		Company	
		31/12/2022	31/12/2021	31/12/2022	31/12/2021
		S\$'000	S\$'000	S\$'000	S\$'000
<b>ASSETS</b>					
<b>Current Assets</b>					
Inventories		234,503	242,559	-	-
Service concession receivables*		15,982	16,077	-	-
Trade receivables		118,047	149,212	78	183
Other receivables		9,905	9,131	136,755	121,792
Prepaid operating expenses		5,191	4,680	22	21
Derivatives financial instruments		220	-	-	-
Income tax recoverable		15,211	-	-	-
Cash and cash equivalents		99,815	88,257	2,135	4,745
<b>Total Current Assets</b>		<b>498,874</b>	<b>509,916</b>	<b>138,990</b>	<b>126,741</b>
<b>Non-current Assets</b>					
Property, plant and equipment		156,769	173,941	408	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*		11,892	17,860	-	-
Goodwill on consolidation		31,469	33,005	-	-
Intangible assets		18,508	24,196	-	-
Deferred income tax assets		8,072	8,460	-	-
<b>Total Non-current Assets</b>		<b>226,930</b>	<b>258,067</b>	<b>16,050</b>	<b>35,310</b>
<b>Total Assets</b>		<b>725,804</b>	<b>767,983</b>	<b>155,040</b>	<b>162,051</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade payables and accruals		(149,970)	(168,998)	(502)	(1,536)
Other payables		(131)	(159)	(76)	(86)
Derivatives financial instruments		-	(858)	-	-
Bank borrowings	11	(31,015)	(40,591)	-	-
Lease liabilities	11	(5,561)	(5,727)	(128)	(83)
Subordinated notes**	11	-	(13,275)	-	-
Current income tax liabilities		(278)	(33,647)	-	-
<b>Total Current Liabilities</b>		<b>(186,955)</b>	<b>(263,255)</b>	<b>(706)</b>	<b>(1,705)</b>
<b>Non-current Liabilities</b>					
Bank borrowings	11	-	(9,144)	-	-
Lease liabilities	11	(91,421)	(100,008)	(215)	(1)
Deferred gains		(2,223)	(2,508)	-	-
Provisions		(261)	(393)	-	-
Deferred income tax liabilities		(12,436)	(15,812)	-	-
<b>Total Non-current Liabilities</b>		<b>(106,341)</b>	<b>(127,865)</b>	<b>(215)</b>	<b>(1)</b>
<b>Total Liabilities</b>		<b>(293,296)</b>	<b>(391,120)</b>	<b>(921)</b>	<b>(1,706)</b>
<b>NET ASSETS</b>		<b>432,508</b>	<b>376,863</b>	<b>154,119</b>	<b>160,345</b>
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	12	169,597	169,597	169,597	169,597
Treasury shares	12	(12,130)	(12,120)	(12,130)	(12,120)
Retained profits/(accumulated losses)		208,039	157,130	(3,422)	2,794
Other reserves		(36,464)	(20,789)	74	74
		329,042	293,818	154,119	160,345
<b>Non-controlling interests</b>		103,466	83,045	-	-
<b>Total Equity</b>		<b>432,508</b>	<b>376,863</b>	<b>154,119</b>	<b>160,345</b>

\* 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 were redeemed per the terms of their issuance on 17 November 2022.

## C. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

### THE GROUP

#### Consolidated statement of changes in equity for the year ended 31 December 2022

		Share capital	Treasury shares	Retained profits	Capital reserve	Foreign currency translation reserve	Fair value reserve	Total reserves	Non- controlling interests	Total equity
	Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>1H2022</b>										
<b>Balance at 1 January 2022</b>		<b>169,597</b>	<b>(12,120)</b>	<b>157,130</b>	<b>1,098</b>	<b>(21,858)</b>	<b>(29)</b>	<b>(20,789)</b>	<b>83,045</b>	<b>376,863</b>
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
<b>Total comprehensive income for the financial period</b>		<b>-</b>	<b>-</b>	<b>43,219</b>	<b>-</b>	<b>3,210</b>	<b>(3)</b>	<b>3,207</b>	<b>19,564</b>	<b>65,990</b>
Purchase of treasury shares	12	-	(10)	-	-	-	-	-	-	(10)
Transfer upon disposal of financial assets, at FVOCI	10	-	-	(32)	-	-	32	32	-	-
<b>Balance at 30 June 2022</b>		<b>169,597</b>	<b>(12,130)</b>	<b>200,317</b>	<b>1,098</b>	<b>(18,648)</b>	<b>-</b>	<b>(17,550)</b>	<b>102,609</b>	<b>442,843</b>
<b>2H2022</b>										
Profit for the financial period		-	-	7,656	-	-	-	-	7,844	15,500
Other comprehensive loss for the financial period		-	-	-	-	(18,879)	-	(18,879)	(6,863)	(25,742)
<b>Total comprehensive loss for the financial period</b>		<b>-</b>	<b>-</b>	<b>7,656</b>	<b>-</b>	<b>(18,879)</b>	<b>-</b>	<b>(18,879)</b>	<b>981</b>	<b>(10,242)</b>
Effect of subsidiary's shares buyback and cancelled		-	-	66	(28)	(7)	-	(35)	(124)	(93)
<b>Balance at 31 December 2022</b>		<b>169,597</b>	<b>(12,130)</b>	<b>208,039</b>	<b>1,070</b>	<b>(37,534)</b>	<b>-</b>	<b>(36,464)</b>	<b>103,466</b>	<b>432,508</b>

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

### THE GROUP

#### Consolidated statement of changes in equity for the year ended 31 December 2021

		Share capital	Treasury shares	Retained profits	Capital reserve	Foreign currency translation reserve	Fair value reserve	Total reserves	Non- controlling interests	Total equity
	Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>1H2021</b>										
<b>Balance at 1 January 2021</b>		<b>169,597</b>	<b>(2,206)</b>	<b>98,494</b>	<b>1,451</b>	<b>(23,801)</b>	<b>(1,035)</b>	<b>(23,385)</b>	<b>64,371</b>	<b>306,871</b>
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
<b>Total comprehensive income for the financial period</b>		<b>-</b>	<b>-</b>	<b>71,806</b>	<b>-</b>	<b>2,885</b>	<b>1,336</b>	<b>4,221</b>	<b>28,668</b>	<b>104,695</b>
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)
<b>Balance at 30 June 2021</b>		<b>169,597</b>	<b>(11,130)</b>	<b>158,952</b>	<b>1,451</b>	<b>(20,916)</b>	<b>562</b>	<b>(18,903)</b>	<b>83,800</b>	<b>382,316</b>
<b>2H2021</b>										
Profit for the financial period		-	-	1,493	-	-	-	-	1,088	2,581
Other comprehensive loss for the financial period		-	-	-	-	(948)	(414)	(1,362)	(961)	(2,323)
<b>Total comprehensive income for the financial period</b>		<b>-</b>	<b>-</b>	<b>1,493</b>	<b>-</b>	<b>(948)</b>	<b>(414)</b>	<b>(1,362)</b>	<b>127</b>	<b>258</b>
Purchase of treasury shares	12	-	(990)	-	-	-	-	-	-	(990)
Transfer upon disposal of financial assets, at FVOCI	10	-	-	177	-	-	(177)	(177)	-	-
Effect of subsidiary's shares buyback and cancelled		-	-	333	(353)	6	-	(347)	(882)	(896)
Dividends relating to 2021 paid	8	-	-	(3,825)	-	-	-	-	-	(3,825)
<b>Balance at 31 December 2021</b>		<b>169,597</b>	<b>(12,120)</b>	<b>157,130</b>	<b>1,098</b>	<b>(21,858)</b>	<b>(29)</b>	<b>(20,789)</b>	<b>83,045</b>	<b>376,863</b>

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

### THE COMPANY

#### Statement of changes in equity for the year ended 31 December 2022

		Share capital	Treasury shares	Retained profits/ (Accumulated losses)	Capital reserve	Total reserves	Total equity
	Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>1H2021</b>							
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
<b>2H2022</b>							
Total comprehensive loss for the financial period		-	-	(10,323)	-	-	(10,323)
Balance at 31 December 2022		169,597	(12,130)	(3,422)	74	74	154,119

#### Statement of changes in equity for the year ended 31 December 2021

		Share capital	Treasury shares	Retained profits/ (Accumulated losses)	Capital reserve	Total reserves	Total equity
	Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>1H2021</b>							
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		-	-	(7,236)	-	-	(7,236)
Dividends relating to 2021 paid		-	-	(3,851)	-	-	(3,851)
Balance at 30 June 2021		169,597	(11,130)	(1,152)	74	74	157,389
<b>2H2021</b>							
Total comprehensive income for the financial period		-	-	7,771	-	-	7,771
Purchase of treasury shares		-	(990)	-	-	-	(990)
Dividends relating to 2021 paid	8	-	-	(3,825)	-	-	(3,825)
Balance at 31 December 2021		169,597	(12,120)	2,794	74	74	160,345

## D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Group			
		2 <sup>nd</sup> half year ended 31 December 2022	2 <sup>nd</sup> half year ended 31 December 2021	Full year ended 31 December 2022	Full year ended 31 December 2021
		S\$'000	S\$'000	S\$'000	S\$'000
<b>Cash flows from operating activities</b>					
Profit before income tax		24,341	3,367	109,859	136,436
Adjustments for:					
Depreciation of property, plant and equipment	6	7,028	6,749	13,912	13,532
Amortisation of intangible assets	6	2,593	2,649	5,248	5,300
Amortisation of deferred gain	6	(61)	(63)	(125)	(127)
Loss/(gain) on disposal of property, plant and equipment	6	87	44	(10)	418
Impairment loss on property, plant and equipment	6	6,141	-	6,141	-
Provisions		(56)	(55)	(113)	(108)
Loss allowance of trade receivables		75	349	614	1,317
Net fair value (gain)/loss on derivatives		(361)	1,680	(1,078)	655
Fair value loss on financial asset, at FVPL	6	-	280	-	280
Dividend income from listed equity security	6	-	-	-	(59)
Finance income		(1,941)	(2,272)	(3,800)	(4,156)
Interest income	6	(72)	(15)	(80)	(20)
Interest expenses	6	3,880	4,915	9,238	10,161
Unrealised currency translation gains		(22,891)	(5,484)	(18,615)	(469)
Operating cash flows before working capital changes		18,763	12,144	121,191	163,160
Changes in working capital:					
Inventories		19,111	33,025	8,056	(39,885)
Service concession receivables		4,730	5,685	9,738	10,572
Trade receivables		163,501	204,057	30,551	(4,525)
Other receivables		1,434	2,465	(774)	(3,305)
Prepaid operating expenses		(3,877)	286	(6,050)	(1,428)
Trade payables and accruals		(33,509)	(53,401)	(17,353)	34,967
Other payables		44	(13)	(28)	4
Cash generated from operations		170,197	204,248	145,331	159,560
Interest received		72	15	80	20
Interest paid		(2,929)	(3,323)	(6,877)	(7,551)
Income tax paid		(49,774)	(17,770)	(83,980)	(23,871)
<b>Net cash generated from operating activities</b>		117,566	183,170	54,554	128,158
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(3,179)	(1,523)	(5,935)	(3,902)
Proceeds from disposal of property, plant and equipment		17	4	131	42
Purchase of listed equity security		-	-	-	(4,499)
Proceed from disposal of listed equity security		-	4,261	382	6,821
Dividend received from listed equity security		-	-	-	59
<b>Net cash (used in)/generated from investing activities</b>		(3,162)	2,742	(5,422)	(1,479)
<b>Cash flows from financing activities</b>					
Principal element of lease payments		(3,238)	(2,839)	(5,964)	(5,164)
Changes in revolving credit facility		-	(100,991)	-	(7,648)
Proceeds from bank borrowings		4,135	648	11,583	4,768
Repayment of bank borrowings		(17,454)	(1,976)	(29,488)	(12,350)
Interest paid		(1,215)	(1,061)	(2,264)	(2,096)
Purchase of treasury shares		-	(990)	(10)	(9,914)
Purchase of treasury shares by a subsidiary corporation		(93)	(896)	(93)	(896)
Redemption of subordinated notes		(12,388)	-	(12,388)	-
Dividend paid by a subsidiary corporation to non-controlling interest		-	-	-	(9,239)
Dividend paid to equity holders of the Company		-	(3,825)	-	(14,912)
<b>Net cash used in financing activities</b>		(30,253)	(111,930)	(38,624)	(57,451)
<b>Net increase in cash and cash equivalents</b>		84,151	73,982	10,508	69,228
<b>Cash and cash equivalents at beginning of period/year</b>		14,644	14,270	88,257	19,037
<b>Effects of currency translation on cash and cash equivalents</b>		1,020	5	1,050	(8)
<b>Cash and cash equivalents at end of period/year</b>		99,815	88,257	99,815	88,257

## **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 31 December 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 for the Myanmar Government; and
- (d) Independent wholesale distributor of building products.

### **2. Basic of preparation**

The condensed interim financial statements for the six months ended 31 December 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 interim financial statements for the financial period ended 30 June 2022.

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 ended 31 December 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 year.

### **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 the 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

	<b>Paper Mill</b>		<b>Power Plant</b>		<b>Building Products</b>		<b>Others</b>		<b>Total</b>		<b>Adjustments and elimination</b>		<b>Note</b>	<b>Per consolidated financial statements</b>	
	6 months ended 31 December 2022	6 months ended 31 December 2021	6 months ended 31 December 2022	6 months ended 31 December 2021	6 months ended 31 December 2022	6 months ended 31 December 2021	6 months ended 31 December 2022	6 months ended 31 December 2021	6 months ended 31 December 2022	6 months ended 31 December 2021	6 months ended 31 December 2022	6 months ended 31 December 2021		6 months ended 31 December 2022	6 months ended 31 December 2021
	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
<b>Revenue:</b>															
External customers	14,449	23,888	5,129	4,858	969,647	963,583	-	-	989,225	992,329	-	-		989,225	992,329
<b>Results:</b>															
Finance expenses	(191)	(129)	-	-	(2,991)	(4,315)	(698)	(471)	(3,880)	(4,915)	-	-		(3,880)	(4,915)
Interest income	-	4	-	-	-	-	72	11	72	15	-	-		72	15
Depreciation	(1,285)	(1,202)	(3)	(3)	(5,628)	(5,434)	(112)	(110)	(7,028)	(6,749)	-	-		(7,028)	(6,749)
Amortisation of intangible assets	-	-	-	-	(2,593)	(2,649)	-	-	(2,593)	(2,649)	-	-		(2,593)	(2,649)
Impairment loss on property, plant and equipment	(6,141)	-	-	-	-	-	-	-	(6,141)	-	-	-		(6,141)	-
Segment profit/(loss) before income tax	(10,388)	745	2,176	2,462	37,572	4,344	(5,019)	(4,184)	24,341	3,367	-	-		24,341	3,367
	Full year ended 31 December 2022	Full year ended 31 December 2021	Full year ended 31 December 2022	Full year ended 31 December 2021	Full year ended 31 December 2022	Full year ended 31 December 2021	Full year ended 31 December 2022	Full year ended 31 December 2021	Full year ended 31 December 2022	Full year ended 31 December 2021	Full year ended 31 December 2022	Full year ended 31 December 2021	<b>Note</b>	Full year ended 31 December 2022	Full year ended 31 December 2021
	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
<b>Revenue:</b>															
External customers	35,776	46,824	9,928	10,821	2,322,633	2,377,760	-	-	2,368,337	2,435,405	-	-		2,368,337	2,435,405
<b>Results:</b>															
Finance expenses	(317)	(247)	-	-	(7,765)	(8,995)	(1,156)	(919)	(9,238)	(10,161)	-	-		(9,238)	(10,161)
Interest income	-	6	-	-	-	-	80	14	80	20	-	-		80	20
Depreciation	(2,572)	(2,387)	(6)	(6)	(11,112)	(10,916)	(222)	(223)	(13,912)	(13,532)	-	-		(13,912)	(13,532)
Amortisation of intangible assets	-	-	-	-	(5,248)	(5,300)	-	-	(5,248)	(5,300)	-	-		(5,248)	(5,300)
Impairment loss on property, plant and equipment	(6,141)	-	-	-	-	-	-	-	(6,141)	-	-	-		(6,141)	-
Segment profit/(loss) before income tax	(12,700)	2,723	4,251	5,424	123,879	130,095	(5,571)	(1,806)	109,859	136,436	-	-		109,859	136,436

#### 4.1 Reportable segments (cont'd)

	Paper Mill		Power Plant		Building Products		Others		Total		Adjustments and elimination		Note	Per consolidated financial statements	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021		31/12/2022	31/12/2021
	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
<b>Assets:</b>															
Additions for the year to:-															
- Property, plant and equipment	2,005	2,023	-	9	9,591	13,489	391	-	11,987	15,521	-	-		11,987	15,521
<b>Segment assets</b>	49,841	64,340	28,111	34,453	619,224	646,969	5,345	13,761	702,521	759,523	23,283	8,460	A	725,804	767,983
<b>Segment liabilities</b>	8,822	7,765	1,219	903	245,706	295,156	24,835	37,837	280,582	341,661	12,714	49,459	B	293,296	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.

	31/12/2022 S\$'000	31/12/2021 S\$'000
Income tax recoverable	15,211	-
Deferred income tax assets	8,072	8,460
	<u>23,283</u>	<u>8,460</u>

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

	31/12/2022 S\$'000	31/12/2021 S\$'000
Income tax liabilities	278	33,647
Deferred income tax liabilities	12,436	15,812
	<u>12,714</u>	<u>49,459</u>

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

	Group			
	2 <sup>nd</sup> half year ended 31 December 2022 S\$'000	2 <sup>nd</sup> half year ended 31 December 2021 S\$'000	Full year ended 31 December 2022 S\$'000	Full year ended 31 December 2021 S\$'000
Sales of goods				
- Paper products	14,449	23,888	35,776	46,824
- Building products	969,647	963,583	2,322,633	2,377,760
Operating and maintenance income	3,188	2,586	6,128	6,665
Finance income	1,941	2,272	3,800	4,156
	<u>989,225</u>	<u>992,329</u>	<u>2,368,337</u>	<u>2,435,405</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.

A breakdown of sales:

	Group		
	Full year ended 31 December 2022 S\$'000	Full year ended 31 December 2021 S\$'000	Increase/ (decrease) %
Sales reported for first half year	1,379,112	1,443,076	(4)
Operating profit after tax before deducting non-controlling interests reported for first half year	61,061	97,985	(38)
Sales reported for second half year	989,225	992,329	-
Operating profit after tax before deducting non-controlling interests reported for second half year	15,500	2,581	501

## 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 31 December 2022 and 31 December 2021:

	Note	Group		Company	
		31/12/2022 S\$'000	31/12/2021 S\$'000	31/12/2022 S\$'000	31/12/2021 S\$'000
<b>Financial Assets</b>					
Financial assets, at FVOCI	10	-	385	-	-
Financial assets, at FVPL		220	220	220	220
Cash and bank balances, trade and other receivables and services concession receivables (Amortised cost)		255,641	280,537	138,968	126,720
Derivative financial instruments		220	-	-	-
		<u>256,081</u>	<u>281,142</u>	<u>139,188</u>	<u>126,940</u>
<b>Financial Liabilities</b>					
Trade and other payables, lease liabilities and borrowings (Amortised cost)		(278,098)	(337,032)	(921)	(1,706)
Derivative financial instruments		-	(858)	-	-
		<u>(278,098)</u>	<u>(337,890)</u>	<u>(921)</u>	<u>(1,706)</u>

## 6. Profit before income tax

### 6.1 Significant items

Profit for the period/year included the following:

	Group			
	2 <sup>nd</sup> half year ended 31 December 2022 S\$'000	2 <sup>nd</sup> half year ended 31 December 2021 S\$'000	Full year ended 31 December 2022 S\$'000	Full year ended 31 December 2021 S\$'000
Dividend income from listed equity security	-	-	-	59
Interest income	72	15	80	20
Amortisation of deferred gain	61	63	125	127
(Loss)/gain on disposal of property, plant and equipment	(87)	(44)	10	(418)
Impairment loss on property, plant and equipment	(6,141)	-	(6,141)	-
Government grants	-	-	-	35
Interest expenses	(3,880)	(4,915)	(9,238)	(10,161)
- Revolving credit facility and other short-term liabilities	(167)	(156)	(290)	(468)
- Lease liabilities and bank borrowings	(3,021)	(4,113)	(7,610)	(8,405)
- Subordinated notes	(344)	(470)	(814)	(938)
- Amortisation of financing costs	(348)	(176)	(524)	(350)
Depreciation of property, plant and equipment	(7,028)	(6,749)	(13,912)	(13,532)
Amortisation of intangible assets	(2,593)	(2,649)	(5,248)	(5,300)
Inventories written down	(270)	(14,494)	(4,727)	(17,145)
Foreign exchange (loss)/gain, net	(4,939)	(3,726)	(3,647)	3,239
Bad debt recovered	29	1,328	22	1,443
Net fair value gain/(loss) on derivatives	347	(4,084)	1,099	(928)
Fair value loss on financial asset, at FVPL	-	(280)	-	(280)

### 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:

	<b>Group</b>			
	<b>2<sup>nd</sup> half year ended 31 December 2022</b>	<b>2<sup>nd</sup> half year ended 31 December 2021</b>	<b>Full year ended 31 December 2022</b>	<b>Full year ended 31 December 2021</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Current income tax expense	(5,824)	(17,784)	(33,772)	(53,491)
Deferred tax income/(expense)	(3,241)	16,782	795	17,405
Current and deferred tax adjustments in respect of prior years	224	216	(321)	216
	<u>(8,841)</u>	<u>(786)</u>	<u>(33,298)</u>	<u>(35,870)</u>

## 8. Dividends

	<b>Group and Company</b>	
	<b>Full year ended 31 December 2022</b>	<b>Full year ended 31 December 2021</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Ordinary dividends paid:		
Final tax exempt 2022 dividend of Nil cents per share (2021: Final tax exempt 2021 dividend of Nil cents per share)	-	-
Interim tax exempt 2022 dividend of Nil cents per share (2021: Interim tax exempt 2021 dividend of 0.84 cents per share)	-	7,676
	<u>-</u>	<u>7,676</u>

## 9. Net Asset Value

	<b>Group</b>		<b>Company</b>	
	<b>31/12/2022</b>	<b>31/12/2021</b>	<b>31/12/2022</b>	<b>31/12/2021</b>
	<b>S\$ cents</b>	<b>S\$ cents</b>	<b>S\$ cents</b>	<b>S\$ cents</b>
Net asset value per ordinary share	<u>36.23</u>	<u>32.35</u>	<u>16.97</u>	<u>17.65</u>

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:

	<b>Group</b>	
	<b>31/12/2022</b>	<b>31/12/2021</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Malaysia listed equity security		
- Straits Energy Resources Bhd (Formerly known as Straits Inter Logistics Berhad)	-	385

There was no disposal in the interim period ended 31 December 2022. During the interim period ended 30 June 2022, the Group disposed of 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 date of disposal and a cumulative loss on disposal of S\$32,000, which was reclassified from fair value reserve to retained profits.

During the interim period ended 31 December 2021, the Group disposed of part of its shares of Straits Energy Resources Bhd for a total consideration of approximately S\$4,261,000 (MYR13,113,000). The disposal had a fair value loss of S\$333,000 at the date of disposal and a cumulative gain on disposal of S\$177,000, 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 observable market data (unobservable inputs) (Level 3).

	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
<b>Group</b>				
<b>31 December 2022</b>				
<b>Finance assets</b>				
FVPL	-	-	220	220
Derivative financial instruments	-	220	-	220
<b>31 December 2021</b>				
<b>Finance assets</b>				
FVPL	-	-	220	220
FVOCI (Quoted investments)	385	-	-	385
<b>Financial liabilities</b>				
Derivative financial instruments	-	(858)	-	(858)
<b>Company</b>				
<b>31 December 2022</b>				
<b>Financial assets</b>				
FVPL	-	-	220	220
<b>31 December 2021</b>				
<b>Financial assets</b>				
FVPL	-	-	220	220

## 11. Group's borrowings and debt securities

	<b>Group</b>	
	<b>31/12/2022</b>	<b>31/12/2021</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Secured borrowings</b>		
Repayable within one year	5,561	6,402
Repayable after one year	91,421	107,208
	<u>96,982</u>	<u>113,610</u>
<b>Unsecured borrowings</b>		
Repayable within one year	31,015	53,191
Repayable after one year	-	1,944
	<u>31,015</u>	<u>55,135</u>

### Security granted

The Group's secured borrowings comprise a revolving credit facility of S\$Nil (2021: S\$Nil), bank borrowings of S\$Nil (2021: S\$7,875,000) and lease liabilities of S\$96,944,000 (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.

### 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 Issued share capital '000	Treasury shares '000	Share capital S\$'000	Amount Treasury shares S\$'000
Balance as at 1 July 2022 and 31 December 2022	950,145	(41,832)	169,597	(12,130)
Balance as at 1 July 2021	950,145	(38,297)	169,597	(11,130)
Treasury shares purchases	-	(3,493)	-	(990)
Balance as at 31 December 2021	950,145	(41,790)	169,597	(12,120)

The Company has no outstanding convertibles as at 31 December 2022 and 31 December 2021.

The Company's subsidiaries do not hold any shares in the Company as at 31 December 2022 and 31 December 2021.

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

As at 31 December 2022, the number of treasury shares represented 4.61% (31 December 2021: 4.60%) of the total number of issued shares excluding treasury shares.

As at 31 December 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 31 December 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

2<sup>nd</sup> half year ended 31 December 2022 ("2H2022") Vs 2<sup>nd</sup> half year ended 31 December 2021 ("2H2021")

	<u>2H2022</u> S\$'000	<u>Contribution</u> %	<u>2H2021</u> S\$'000	<u>Contribution</u> %
<u>Revenue</u>				
Paper manufacturing	14,449	2	23,888	2
Building products	969,647	98	963,583	97
Power plant	5,129	-	4,858	1
	989,225	100	992,329	100
<u>Gross profit/(loss)</u>				
Paper manufacturing	(2,602)	(2)	2,993	4
Building products	117,616	100	66,526	92
Power plant	2,276	2	2,839	4
	117,290	100	72,358	100

Full year ended 31 December 2022 ("12M2022") Vs full year ended 31 December 2021 ("12M2021")

	<u>12M2022</u> S\$'000	<u>Contribution</u> %	<u>12M2021</u> S\$'000	<u>Contribution</u> %
<u>Revenue</u>				
Paper manufacturing	35,776	2	46,824	2
Building products	2,322,633	98	2,377,760	98
Power plant	9,928	-	10,821	-
	2,368,337	100	2,435,405	100
<u>Gross profit/(loss)</u>				
Paper manufacturing	(2,664)	(1)	7,128	2
Building products	308,797	99	321,275	96
Power plant	4,418	2	6,004	2
	310,551	100	334,407	100

#### Overview

For 2H2022, the Group reported net profit of S\$15.5 million, an increase of 501% or S\$12.9 million from S\$2.6 million for 2H2021. The Group's revenue for 2H2022 was S\$989.2 million, compared to S\$992.3 million for 2H2021. Overall gross profit increased by S\$44.9 million or 62% to S\$117.3 million. Overall gross profit margin percentage increased from 7.3% for 2H2021 to 11.9% for 2H2022. These increases were largely due to higher commodity prices for commodity products. In the 2021 comparative period, commodity prices fell dramatically. The Group booked a S\$14.5 million inventory reserve for 2H2021 (12M2021: S\$17.1 million) due to the impact of falling commodity prices on its treated inventory values at the building products business.

The Group reported net profit of S\$76.6 million for 12M2022, a decrease of 24% or S\$24.0 million from S\$100.6 million for 12M2021 despite the Group's revenue maintained at approximately S\$2.4 billion for 12M2022 and 12M2021. Overall gross profit for 12M2022 decreased by S\$23.9 million or 7% to S\$310.6 million and overall gross profit margin percentage decreasing from 13.7% for 12M2021 to 13.1% for 12M2022.

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

#### Revenue

Revenue from the building products business of Taiga for 2H2022 was S\$969.6 million compared to S\$963.6 million over the same period last year. Revenue from the building products business of Taiga for 12M2022 was S\$2.3 billion compared to S\$2.4 billion over the same period last year.

### Gross margin

Gross margin from the building products business for 2H2022 increased by S\$51.1 million or 77% to S\$117.6 million from S\$66.5 million over the same period last year. Gross profit margin percentage of the building products business increased from 6.9% for 2H2021 to 12.1% for 2H2022. The increase was primarily due to higher commodity prices of commodity products in 2H2022 as compared to 2H2021.

Gross margin from the building products business for 12M2022 decreased by S\$12.5 million or 4% to S\$308.8 million from S\$321.3 million over the same period last year. The decrease was primarily due to lower selling prices of commodity products particularly in the first two quarters of the financial year. Gross profit margin percentage of the building products business fairly stable at about 13% for 12M2022 and 12M2021.

Gross loss incurred by paper manufacturing business is mainly due to increase in waste paper, energy and operational costs. Low level of production caused by low demand for paper products of the Group as a result of intense competition in the paper industry also contributed to the unfavorable margin.

### Expenses

Distribution expenses increased marginally to S\$16.3 million for 2H2022 from S\$15.2 million for 2H2021. Distribution expenses were S\$32.7 million and S\$30.6 million for 12M2022 and 12M2021 respectively. The increase was primarily due to increased depreciation, property taxes, maintenance and insurance costs.

Selling and administrative expenses for 2H2022 were S\$62.1 million as compared to S\$41.7 million over the same period last year. The increase was primarily due to increased compensation costs and increased post-pandemic travel. Selling and administrative expenses for 12M2022 were S\$149.9 million as compared to S\$159.3 million over the same period last year. The decrease was primarily due to decreased compensation costs.

Finance expenses were S\$3.9 million for 2H2022 and S\$4.9 million 2H2021. Finance expenses for 12M2022 were S\$9.2 million as compared to S\$10.2 million over the same period last year. The decrease was due to lower borrowing levels.

Other losses for 2H2022 included a foreign exchange loss of S\$4.9 million (2H2021: S\$3.7 million) that arose mainly from the translation of intercompany receivables denominated in Canadian dollar and United States Dollar; and an impairment loss on the idle plant and machinery of paper manufacturing business amounted to S\$6.1 million. These losses were partially offset by a net fair value gain on derivatives of S\$0.3 million (2H2021: fair value loss of S\$4.1 million). In the 2021 comparative period, there was a bad debts recovered of S\$1.3 million which was only minimal amount in the current period (2H2022: S\$29,000).

Other losses for 12M2022 included a foreign exchange loss of S\$3.6 million (12M2021: foreign exchange gain of S\$3.2 million) that arose mainly from the translation of intercompany receivables denominated in Canadian dollar and United States Dollar; and an impairment loss on the idle plant and machinery of paper manufacturing business amounted to S\$6.1 million. These losses were partially offset by a net fair value gain on derivatives of S\$1.1 million (12H2021: fair value loss of S\$0.9 million). In the 2021 comparative year, there was a bad debts recovered of S\$1.4 million which was only minimal amount in the current year (12M2022: S\$22,000).

### **(a) Review of Statement of Financial Position**

The Group's total assets decreased from S\$768.0 million as at 31 December 2021 to S\$725.8 million as at 31 December 2022. The decrease of S\$42.2 million was primarily the result of decreased trade receivables and property, plant and equipment.

Property, plant and equipment decreased to S\$156.8 million as at 31 December 2022 compared to S\$173.9 million as at 31 December 2021 primarily due to depreciation charge of S\$13.9 million and an impairment loss on the idle plant and machinery for paper manufacturing business amounted to S\$6.1 million is recognised in current year. The net book value of right of use assets as included in property, plant and equipment as at 31 December 2022 was S\$90.5 million after depreciation charge of S\$7.8 million for the current year.

Trade receivables decreased to S\$118.0 million as at 31 December 2022 compared to S\$149.2 million as at 31 December 2021, primarily due to lower revenue during the off-peak season for building products business.

Total liabilities of the Group decreased to S\$293.3 million as at 31 December 2022 from S\$391.1 million as at 31 December 2021. The decrease was primarily due to decreased accounts payables, accrued liabilities, income tax payables and redemption of the subordinated notes.

Account payables and accruals decreased to S\$150.0 million as at 31 December 2022 compared to S\$169.0 million as at 31 December 2021 mainly due to decreased compensation accruals.

Income tax liabilities decreased to S\$278,000 as at 31 December 2022 compared to S\$33.6 million as at 31 December 2021 due to lower taxable income and tax instalments payments were made by Taiga during 2022, which led to recognition of an income tax recoverable of S\$15.2 million as at 31 December 2022.

The Group's working capital was S\$311.9 million as at 31 December 2022 compared to S\$246.7 million as at 31 December 2021.

The Group's total equity as at 31 December 2022 amounted to S\$432.5 million (31 December 2021: S\$376.9 million).

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

Cash flows from operating activities generated cash of S\$117.6 million for 2H2022 compared to S\$183.2 million for the same period last year. Cash flows from operating activities generated cash of S\$54.6 million for 12M2022 compared to S\$128.2 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 and decreased accounts payable and accruals.

Investing activities used cash of S\$3.2 million for 2H2022 compared to cash generated of S\$2.7 million for the same period last year. Investing activities used cash of S\$5.4 million for 12M2022 compared to S\$1.5 million for 12M2021. Other than the cash flows related to listed equity securities, the net cash used in investing activities were mainly for acquisition of property, plant and equipment.

Financing activities used cash of S\$30.3 million for the 2H2022 compared to S\$111.9 million for the same period last year. Financing activities used cash of S\$38.6 million for 12M2022 compared to S\$57.5 million for the same period last year. The changes were mainly due to no repayment (on a net basis) of Taiga's revolving credit facility in the current financial period under review.

Overall, the net increase in cash and cash equivalents for 2H2022 and 12M2022 were S\$84.2 million and S\$10.5 million respectively.

As at 31 December 2022, the Group's cash and cash equivalents was S\$99.8 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 full year results for FY2022 was a currency exchange loss of S\$3.6 million, compared to currency exchange gain of S\$3.2 million for FY2021.

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 2022 Housing Market Outlook, housing starts in Canada are expected to range between 224,600 and 269,100 in 2023 compared to 247,700 and 273,100 units in 2022. In the United States, the National Association of Home Builders reported in January 2023 that housing starts are forecasted to total 1,135,000 units in the 2023 calendar year compared to 1,542,000 units in calendar year 2022.

b) Paper manufacturing business

The paper manufacturing division in Malaysia was adversely affected by substantial cost pressures and lower sales in 2022 amid an inflationary environment, increasing competition and a challenging market.

The division was faced with lower sales and sharply higher raw material and operating costs, especially for waste paper and energy.

There were substantial increases in electricity and gas tariffs in FY2022, as well as an increase in Malaysia's minimum wages. On the other hand, selling prices have been relatively stable due to increased competition, especially from the Chinese players operating in Malaysia. As a result, there was severe margin compression, which resulted in losses for the division.

In FY2022, revenue declined by 21.1% to RM113.8 million, while sales volume declined 21.4% to 49,857 tonnes. The division suffered a loss before interest, tax, depreciation, amortisation, impairments and write-offs of RM8.8 million, compared with EBITDA of RM17.3 million in FY2021.

Going forward, electricity and gas tariffs have risen substantially in Jan 2023 and the operating landscape remains challenging. We have re-evaluated the business and will embark on a plan to restructure and re-strategise our focus and business operations, including a revamp of our product range.

In line with the business re-focusing plans, we have made an impairment of RM20.0 million on our plant and machinery, and a stock write-down of RM3.1 million. As a result, the division suffered a total pre-tax loss of RM41.1 million, compared with pre-tax profit of RM9.3 million in FY2021.

c) Power plant business

The power plant in Myanmar started operations on 11 February 2014, and has now entered its tenth year of operations. The power plant is 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.

In FY2022, the power plant produced 343.38 million kWh of electricity in FY2022, a decline of 7% from 368.05 million kWh in FY2021. The decline in production was due largely to gas supply issues, notably gas supply disruptions and gas pipeline maintenance.

Under the power purchase agreement, the plant is committed to sell a minimum of 350 million kWh per year, with the current year period from 11 Feb 2022 to 10 Feb 2023. For the year to 10 Feb 2023, production was 328.58 million kWh.

On 1 February 2021, the Tatmadaw assumed control of the government. It announced a state of emergency in Myanmar, which has since been extended by another 6 months from 1 February 2023. Save for the gas supply issues highlighted above, operations at our power plant have continued as normal and have not been affected by these political developments.

**5. Dividend information**

**(a) 2<sup>nd</sup> Half period ended 31 December 2022**

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

**(b) 2<sup>nd</sup> Half period ended 31 December 2021**

**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.**

In view of the highly volatile and uncertain global operating environment, no dividend has been recommended for the current reporting period and for the financial year ended 31 December 2022, as it is crucial for the Group to conserve its cash resources to sustain its business operations, to meet its financial commitments and retain the cash in the Group for its future growth.

**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. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13)**

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Tong Ian	35	Son of Tong Kooi Ong (Executive Chairman and substantial shareholder)	<u>Avarga Limited</u> Position: Executive Director ("ED") and Chief Executive Officer ("CEO") Duties: Oversees the Group's operations Date when position first held: ED: 7 March 2017 CEO: 1 June 2020  <u>Taiga Building Products Ltd</u> Position: Director Duties: Non-executive Chairman Date when position first held: 20 July 2012	Not applicable.
Tong Kooi Ong	63	Father of Tong Ian (Chief Executive Officer and Executive Director)	<u>Avarga Limited</u> Position: Executive Chairman Duties: Chairman of the Board and Executive Director Date when position first held: 15 March 2012  <u>Taiga Building Products Ltd</u> Position: Director Duties: Non-executive Director Date when position first held: 20 May 2005	Not applicable.

**BY ORDER OF THE BOARD**

Tong Kooi Ong  
Executive Chairman

Tong Ian  
Chief Executive Officer

25 February 2023