



**Avarga Limited  
and its subsidiary corporations**

**Condensed interim consolidated financial statements  
For the six months and full year ended 31 December 2021**

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

		Group					
		2 <sup>nd</sup> half year ended 31 December 2021	2 <sup>nd</sup> half year ended 31 December 2020	Increase/ (decrease)	Full year ended 31 December 2021	Full year ended 31 December 2020	Increase/ (decrease)
Note		S\$'000	S\$'000	%	S\$'000	S\$'000	%
<b>Revenue</b>	4	992,329	973,000	2	2,435,405	1,693,259	44
Cost of sale		(919,971)	(807,907)	14	(2,100,998)	(1,445,525)	45
<b>Gross profit</b>		72,358	165,093	(56)	334,407	247,734	35
Other (losses)/gains, net							
- Interest income – bank deposits		15	42	(64)	20	172	(88)
- Loss allowance of trade receivables, net		(349)	(747)	(53)	(1,317)	(780)	69
- Others		(6,767)	2,813	nm	3,336	3,201	4
Distribution expenses		(15,246)	(15,355)	(1)	(30,590)	(28,866)	6
Selling and administrative expenses		(41,729)	(72,174)	(42)	(159,259)	(108,786)	46
Finance expenses		(4,915)	(4,951)	(1)	(10,161)	(10,501)	(3)
<b>Profit before income tax</b>	6	3,367	74,721	(95)	136,436	102,174	34
Income tax expense	7	(786)	(20,310)	(96)	(35,870)	(27,378)	31
<b>Net profit</b>		2,581	54,411	(95)	100,566	74,796	34
<b>Other comprehensive income:</b>							
<b>Items that may be reclassified subsequently to profit or loss:</b>							
Currency translation differences arising from consolidation							
- (Losses)/gains		(948)	(3,839)	(75)	1,937	(1,822)	nm
<b>Items that will not be reclassified subsequently to profit or loss:</b>							
Financial asset, at FVOCI							
- Fair value (losses)/gains – equity investments		(414)	476	nm	922	(178)	nm
Currency translation differences arising from consolidation							
- (Losses)/gains		(961)	(477)	101	1,528	(323)	nm
<b>Other comprehensive (losses)/income, net of tax</b>		(2,323)	(3,840)	(39)	4,387	(2,323)	nm
<b>Total comprehensive income</b>		258	50,571	(99)	104,953	72,473	45
<b>Net profit attributable to:</b>							
Equity holders of the Company		1,493	39,902	(96)	73,299	54,826	34
Non-controlling interests		1,088	14,509	(93)	27,267	19,970	37
		2,581	54,411	(95)	100,566	74,796	34
<b>Total comprehensive income attributable to:</b>							
Equity holders of the Company		131	36,539	(100)	76,158	52,826	44
Non-controlling interests		127	14,032	(99)	28,795	19,647	47
		258	50,571	(99)	104,953	72,473	45
<b>Earnings per share ('EPS') for profit attributable to equity holders of the Company</b>							
- Basic EPS (cents per share) [A]		0.16	4.22		7.98	5.79	
- Diluted EPS (cents per share) [B]		0.16	4.22		7.98	5.79	

nm - not meaningful

[A] The calculation of earnings per ordinary share was based on weighted average number of shares 910,397,000 (Second Half 2020: 946,357,000) and 918,411,000 (Full year 2020: 946,724,000) 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 910,397,000 (Second Half 2020: 946,357,000) and 918,411,000 (Full year 2020: 946,724,000) in issue during the period/year.

## B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

	Note	Group		Company	
		31/12/2021	31/12/2020	31/12/2021	31/12/2020
		S\$'000	S\$'000	S\$'000	S\$'000
<b>ASSETS</b>					
<b>Current Assets</b>					
Inventories		242,559	202,674	-	-
Service concession receivables*		16,077	15,732	-	-
Trade receivables		149,212	146,004	183	180
Other receivables		9,131	5,898	121,792	134,195
Prepaid operating expenses		4,680	3,780	21	14
Derivatives financial instruments		-	-	-	-
Cash and cash equivalents		88,257	19,037	4,745	4,280
<b>Total Current Assets</b>		<b>509,916</b>	<b>393,125</b>	<b>126,741</b>	<b>138,669</b>
<b>Non-current Assets</b>					
Property, plant and equipment		173,941	170,357	236	453
Investments in subsidiary corporations		-	-	34,854	34,854
Financial asset, at FVPL		220	500	220	500
Financial asset, at FVOCI	10	385	1,786	-	-
Service concession receivables*		17,860	23,760	-	-
Goodwill on consolidation		33,005	32,303	-	-
Intangible assets		24,196	28,859	-	-
Deferred income tax assets		8,460	277	-	-
<b>Total Non-current Assets</b>		<b>258,067</b>	<b>257,842</b>	<b>35,310</b>	<b>35,807</b>
<b>Total Assets</b>		<b>767,983</b>	<b>650,967</b>	<b>162,051</b>	<b>174,476</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade payables and accruals		(168,998)	(132,742)	(1,536)	(1,066)
Other payables		(159)	(155)	(86)	(93)
Derivatives financial instruments		(858)	(203)	-	-
Revolving credit facility	11	-	(9,074)	-	-
Bank borrowings	11	(40,591)	(45,401)	-	-
Lease liabilities	11	(5,727)	(4,771)	(83)	(128)
Subordinated notes**	11	(13,275)	-	-	-
Current income tax liabilities		(33,647)	(4,950)	-	-
<b>Total Current Liabilities</b>		<b>(263,255)</b>	<b>(197,296)</b>	<b>(1,705)</b>	<b>(1,287)</b>
<b>Non-current Liabilities</b>					
Bank borrowings	11	(9,144)	(11,862)	-	-
Lease liabilities	11	(100,008)	(94,783)	(1)	(84)
Deferred gains		(2,508)	(2,575)	-	-
Provisions		(393)	(488)	-	-
Subordinated notes**	11	-	(12,975)	-	-
Deferred income tax liabilities		(15,812)	(24,117)	-	-
<b>Total Non-current Liabilities</b>		<b>(127,865)</b>	<b>(146,800)</b>	<b>(1)</b>	<b>(84)</b>
<b>Total Liabilities</b>		<b>(391,120)</b>	<b>(344,096)</b>	<b>(1,706)</b>	<b>(1,371)</b>
<b>NET ASSETS</b>		<b>376,863</b>	<b>306,871</b>	<b>160,345</b>	<b>173,105</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	(12,120)	(2,206)	(12,120)	(2,206)
Retained profits		157,130	98,494	2,794	5,640
Other reserves		(20,789)	(23,385)	74	74
		293,818	242,500	160,345	173,105
<b>Non-controlling interests</b>		<b>83,045</b>	<b>64,371</b>	<b>-</b>	<b>-</b>
<b>Total Equity</b>		<b>376,863</b>	<b>306,871</b>	<b>160,345</b>	<b>173,105</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 will mature 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 2021

	Note	Share capital S\$'000	Treasury shares S\$'000	Retained profits S\$'000	Capital reserve S\$'000	Foreign currency translation reserve S\$'000	Fair value reserve S\$'000	Total reserves S\$'000	Non-controlling interests S\$'000	Total equity 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 GROUP

#### Consolidated statement of changes in equity for the year ended 31 December 2020

	Note	Share capital	Treasury shares	Retained profits	Capital reserve	Foreign currency translation reserve	Fair value reserve	Total reserves	Non-controlling interests	Total equity
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>1H2020</b>										
<b>Balance at 1 January 2020</b>		<b>169,582</b>	<b>(628)</b>	<b>54,651</b>	<b>360</b>	<b>(21,902)</b>	<b>(857)</b>	<b>(22,399)</b>	<b>51,619</b>	<b>252,825</b>
Profit for the financial period		-	-	14,924	-	-	-	-	5,461	20,385
Other comprehensive income for the financial period		-	-	-	-	2,017	(654)	1,363	154	1,517
<b>Total comprehensive income for the financial period</b>		<b>-</b>	<b>-</b>	<b>14,924</b>	<b>-</b>	<b>2,017</b>	<b>(654)</b>	<b>1,363</b>	<b>5,615</b>	<b>21,902</b>
Warrants 2017 conversion		15	-	-	-	-	-	-	-	15
Purchase of treasury shares		-	(9)	-	-	-	-	-	-	(9)
Effect of subsidiary's shares buyback and cancelled		-	-	236	192	(59)	-	133	(2,143)	(1,774)
Acquisition of non-controlling interests without a change in control		-	-	-	927	-	-	927	(2,918)	(1,991)
<b>Balance at 30 June 2020</b>		<b>169,597</b>	<b>(637)</b>	<b>69,811</b>	<b>1,479</b>	<b>(19,944)</b>	<b>(1,511)</b>	<b>(19,976)</b>	<b>52,173</b>	<b>270,968</b>
<b>2H2020</b>										
Profit for the financial period		-	-	39,902	-	-	-	-	14,509	54,411
Other comprehensive loss for the financial period		-	-	-	-	(3,839)	476	(3,363)	(477)	(3,840)
<b>Total comprehensive income for the financial period</b>		<b>-</b>	<b>-</b>	<b>39,902</b>	<b>-</b>	<b>(3,839)</b>	<b>476</b>	<b>(3,363)</b>	<b>14,032</b>	<b>50,571</b>
Purchase of treasury shares	12	-	(1,569)	-	-	-	-	-	-	(1,569)
Effect of subsidiary's shares buyback and cancelled		-	-	330	(28)	(18)	-	(46)	(1,834)	(1,550)
Dividend relating to 2019 paid		-	-	(4,735)	-	-	-	-	-	(4,735)
Dividend relating to 2020 paid	8	-	-	(6,814)	-	-	-	-	-	(6,814)
<b>Balance at 31 December 2020</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>

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

### THE COMPANY

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

	Note	Share capital S\$'000	Treasury shares S\$'000	Retained profits/ (Accumulated losses) S\$'000	Capital reserve S\$'000	Total reserves S\$'000	Total equity S\$'000
<b>1H2021</b>							
<b>Balance at 1 January 2021</b>		<b>169,597</b>	<b>(2,206)</b>	<b>5,640</b>	<b>74</b>	<b>74</b>	<b>173,105</b>
Total comprehensive income for the financial period		-	-	4,295	-	-	4,295
Purchase of treasury shares		-	(8,924)	-	-	-	(8,924)
Dividends relating to 2020 paid	8	-	-	(7,236)	-	-	(7,236)
Dividends relating to 2021 paid	8	-	-	(3,851)	-	-	(3,851)
<b>Balance at 30 June 2021</b>		<b>169,597</b>	<b>(11,130)</b>	<b>(1,152)</b>	<b>74</b>	<b>74</b>	<b>157,389</b>
<b>2H2021</b>							
Total comprehensive income for the financial period		-	-	7,771	-	-	7,771
Purchase of treasury shares	12	-	(990)	-	-	-	(990)
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>2,794</b>	<b>74</b>	<b>74</b>	<b>160,345</b>

#### Statement of changes in equity for the year ended 31 December 2020

	Note	Share capital S\$'000	Treasury shares S\$'000	Retained profits/ (Accumulated losses) S\$'000	Capital reserve S\$'000	Total reserves S\$'000	Total equity S\$'000
<b>1H2020</b>							
<b>Balance at 1 January 2020</b>		<b>169,582</b>	<b>(628)</b>	<b>2,923</b>	<b>74</b>	<b>74</b>	<b>171,951</b>
Total comprehensive loss for the financial period		-	-	(1,038)	-	-	(1,038)
Warrants 2017 conversion		15	-	-	-	-	15
Purchase of treasury shares		-	(9)	-	-	-	(9)
<b>Balance at 30 June 2020</b>		<b>169,597</b>	<b>(637)</b>	<b>1,885</b>	<b>74</b>	<b>74</b>	<b>170,919</b>
<b>2H2020</b>							
Total comprehensive income for the financial period		-	-	15,304	-	-	15,304
Purchase of treasury shares	12	-	(1,569)	-	-	-	(1,569)
Dividends relating to 2019 paid		-	-	(4,735)	-	-	(4,735)
Dividends relating to 2020 paid	8	-	-	(6,814)	-	-	(6,814)
<b>Balance at 31 December 2020</b>		<b>169,597</b>	<b>(2,206)</b>	<b>5,640</b>	<b>74</b>	<b>74</b>	<b>173,105</b>

## D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Group			
		2 <sup>nd</sup> half year ended 31 December 2021	2 <sup>nd</sup> half year ended 31 December 2020	Full year ended 31 December 2021	Full year ended 31 December 2020
		S\$'000	S\$'000	S\$'000	S\$'000
<b>Cash flows from operating activities</b>					
Profit before income tax		3,367	74,721	136,436	102,174
Adjustments for:					
Depreciation of property, plant and equipment	6	6,749	6,789	13,532	13,156
Amortisation of intangible assets	6	2,649	2,622	5,300	5,244
Amortisation of deferred gain	6	(63)	(61)	(127)	(122)
Loss on disposal of property, plant and equipment	6	44	201	418	195
Provisions		(55)	(55)	(108)	(104)
Loss allowance of trade receivables		349	747	1,317	780
Net fair value loss/(gain) on derivatives		1,680	(87)	655	67
Fair value loss on financial asset, at FVPL	6	280	-	280	-
Dividend income from listed equity security	6	-	-	(59)	(39)
Finance income		(2,272)	(1,992)	(4,156)	(4,116)
Interest income	6	(15)	(42)	(20)	(172)
Interest expenses	6	4,915	4,951	10,161	10,501
Unrealised currency translation gains		(5,484)	(4,533)	(469)	(2,160)
Operating cash flows before working capital changes		12,144	83,261	163,160	125,404
Changes in working capital:					
Inventories		33,025	(62,765)	(39,885)	(33,199)
Service concession receivables		5,685	2,869	10,572	4,322
Trade receivables		204,057	53,382	(4,525)	(51,956)
Other receivables		2,465	(797)	(3,305)	(1,770)
Prepaid operating expenses		286	3,767	(1,428)	168
Trade payables and accruals		(53,401)	28,641	34,967	54,127
Other payables		(13)	30	4	(676)
Cash generated from operations		204,248	108,388	159,560	96,420
Interest received		15	42	20	172
Interest paid		(3,323)	(3,557)	(7,551)	(7,316)
Income tax paid		(17,770)	(9,511)	(23,871)	(28,360)
<b>Net cash generated from operating activities</b>		<b>183,170</b>	<b>95,362</b>	<b>128,158</b>	<b>60,916</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(1,523)	(2,577)	(3,902)	(4,575)
Proceeds from disposal of property, plant and equipment		4	19	42	25
Purchase of listed equity security		-	-	(4,499)	-
Proceed from disposal of listed equity security		4,261	-	6,821	-
Dividend received from listed equity security		-	-	59	39
<b>Net cash generated from/(used in) investing activities</b>		<b>2,742</b>	<b>(2,558)</b>	<b>(1,479)</b>	<b>(4,511)</b>
<b>Cash flows from financing activities</b>					
Principal element of lease payments		(2,839)	(2,443)	(5,164)	(4,855)
Changes in revolving credit facility		(100,991)	(83,214)	(7,648)	(32,919)
Proceeds from bank borrowings		648	9,870	4,768	14,370
Repayment of bank borrowings		(1,976)	(2,445)	(12,350)	(13,014)
Interest paid		(1,061)	(855)	(2,096)	(1,812)
Acquisition of non-controlling interest		-	-	-	(1,991)
Purchase of treasury shares		(990)	(1,569)	(9,914)	(1,578)
Proceeds from the issuance of shares from warrants conversions		-	-	-	15
Purchase of treasure shares by a subsidiary corporation		(896)	(1,550)	(896)	(3,324)
Dividend paid by a subsidiary corporation to non-controlling interest		-	-	(9,239)	-
Dividend paid to equity holders of the Company		(3,825)	(11,549)	(14,912)	(11,549)
<b>Net cash used in financing activities</b>		<b>(111,930)</b>	<b>(93,755)</b>	<b>(57,451)</b>	<b>(56,657)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>73,982</b>	<b>(951)</b>	<b>69,228</b>	<b>(252)</b>
<b>Cash and cash equivalents at beginning of period/year</b>		<b>14,270</b>	<b>19,924</b>	<b>19,037</b>	<b>19,245</b>
<b>Effects of currency translation on cash and cash equivalents</b>		<b>5</b>	<b>64</b>	<b>(8)</b>	<b>44</b>
<b>Cash and cash equivalents at end of period/year</b>		<b>88,257</b>	<b>19,037</b>	<b>88,257</b>	<b>19,037</b>

## **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 2021 comprise the Company and its subsidiaries (collectively, the "Group"). The principal activities of the Company are the trading of paper products, investment holding and providing management services. The principal activities of the Group are:

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

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

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

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

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

#### **2.1 New and amended standards adopted by the Group**

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

#### **2.2 Use of judgements and estimates**

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the financial year ended 31 December 2020.

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

Management is of the opinion that there is no instance of application of judgment which is expected to have a significant impact on the amounts recognised in the Group's condensed interim financial statements for six months ended 31 December 2021.



### **3. Seasonal operations**

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

	Paper Mill		Power Plant		Building Products		Others		Total		Adjustments and elimination		Note	Per consolidated financial statements	
	6 months ended 31 December 2021	6 months ended 31 December 2020	6 months ended 31 December 2021	6 months ended 31 December 2020	6 months ended 31 December 2021	6 months ended 31 December 2020	6 months ended 31 December 2021	6 months ended 31 December 2020	6 months ended 31 December 2021	6 months ended 31 December 2020	6 months ended 31 December 2021	6 months ended 31 December 2020		6 months ended 31 December 2021	6 months ended 31 December 2020
	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	23,888	25,429	4,858	8,080	963,583	939,491	-	-	992,329	973,000	-	-		992,329	973,000
<b>Results:</b>															
Finance expenses	(129)	(11)	-	-	(4,315)	(4,538)	(471)	(402)	(4,915)	(4,951)	-	-		(4,915)	(4,951)
Interest income	4	40	-	-	-	-	11	2	15	42	-	-		15	42
Depreciation	(1,202)	(1,152)	(3)	(2)	(5,434)	(5,522)	(110)	(113)	(6,749)	(6,789)	-	-		(6,749)	(6,789)
Amortisation of intangible assets	-	-	-	-	(2,649)	(2,622)	-	-	(2,649)	(2,622)	-	-		(2,649)	(2,622)
Segment profit/(loss) before income tax	745	2,815	2,462	3,390	4,344	69,629	(4,184)	(1,113)	3,367	74,721	-	-		3,367	74,721
	<b>Full year ended 31 December 2021</b>	<b>Full year ended 31 December 2020</b>	<b>Full year ended 31 December 2021</b>	<b>Full year ended 31 December 2020</b>	<b>Full year ended 31 December 2021</b>	<b>Full year ended 31 December 2020</b>	<b>Full year ended 31 December 2021</b>	<b>Full year ended 31 December 2020</b>	<b>Full year ended 31 December 2021</b>	<b>Full year ended 31 December 2020</b>	<b>Full year ended 31 December 2021</b>	<b>Full year ended 31 December 2020</b>	<b>Note</b>	<b>Full year ended 31 December 2021</b>	<b>Full year ended 31 December 2020</b>
	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	46,824	44,803	10,821	16,421	2,377,760	1,632,035	-	-	2,435,405	1,693,259	-	-		2,435,405	1,693,259
<b>Results:</b>															
Finance expenses	(247)	(13)	-	-	(8,995)	(9,570)	(919)	(918)	(10,161)	(10,501)	-	-		(10,161)	(10,501)
Interest income	6	159	-	-	-	-	14	13	20	172	-	-		20	172
Depreciation	(2,387)	(2,297)	(6)	(5)	(10,916)	(10,630)	(223)	(224)	(13,532)	(13,156)	-	-		(13,532)	(13,156)
Amortisation of intangible assets	-	-	-	-	(5,300)	(5,244)	-	-	(5,300)	(5,244)	-	-		(5,300)	(5,244)
Segment profit/(loss) before income tax	2,723	5,089	5,424	6,614	130,095	94,714	(1,806)	(4,243)	136,436	102,174	-	-		136,436	102,174

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

	Paper Mill		Power Plant		Building Products		Others		Total		Adjustments and elimination		Note	Per consolidated financial statements	
	31/12/2021 S\$'000	31/12/2020 S\$'000	31/12/2021 S\$'000	31/12/2020 S\$'000	31/12/2021 S\$'000	31/12/2020 S\$'000	31/12/2021 S\$'000	31/12/2020 S\$'000	31/12/2021 S\$'000	31/12/2020 S\$'000	31/12/2021 S\$'000	31/12/2020 S\$'000		31/12/2021 S\$'000	31/12/2020 S\$'000
<b>Assets:</b>															
Additions to:-															
- Property, plant and equipment	2,023	1,574	9	-	13,489	7,238	-	9	15,521	8,821	-	-		15,521	8,821
<b>Segment assets</b>	<u>64,340</u>	<u>70,238</u>	<u>34,453</u>	<u>39,886</u>	<u>646,969</u>	<u>531,522</u>	<u>13,761</u>	<u>9,044</u>	<u>759,523</u>	<u>650,690</u>	<u>8,460</u>	<u>277</u>	A	<u>767,983</u>	<u>650,967</u>
<b>Segment liabilities</b>	<u>7,765</u>	<u>12,744</u>	<u>903</u>	<u>1,609</u>	<u>295,156</u>	<u>260,226</u>	<u>37,837</u>	<u>40,450</u>	<u>341,661</u>	<u>315,029</u>	<u>49,459</u>	<u>29,067</u>	B	<u>391,120</u>	<u>344,096</u>

#### 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.

	<b>31/12/2021</b>	<b>31/12/2020</b>
	S\$'000	S\$'000
Deferred income tax assets	<u>8,460</u>	<u>277</u>

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

	<b>31/12/2021</b>	<b>31/12/2020</b>
	S\$'000	S\$'000
Income tax liabilities	33,647	4,950
Deferred income tax liabilities	<u>15,812</u>	<u>24,117</u>
	<u>49,459</u>	<u>29,067</u>

#### 4.2 Disaggregation of revenue

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

	<b>Group</b>			
	<b>2<sup>nd</sup> half year ended 31 December 2021 S\$'000</b>	<b>2<sup>nd</sup> half year ended 31 December 2020 S\$'000</b>	<b>Full year ended 31 December 2021 S\$'000</b>	<b>Full year ended 31 December 2020 S\$'000</b>
Sales of goods				
- Paper products	23,888	25,429	46,824	44,803
- Building products	963,583	939,491	2,377,760	1,632,035
Operating and maintenance income	2,586	6,088	6,665	12,305
Finance income	2,272	1,992	4,156	4,116
	<u>992,329</u>	<u>973,000</u>	<u>2,435,405</u>	<u>1,693,259</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:

	<b>Group</b>		
	<b>Full year ended 31 December 2021 S\$'000</b>	<b>Full year ended 31 December 2020 S\$'000</b>	<b>Increase/ (decrease) %</b>
Sales reported for first half year	1,443,076	720,259	100
Operating profit after tax before deducting non-controlling interests reported for first half year	97,985	20,385	381
Sales reported for second half year	992,329	973,000	2
Operating profit after tax before deducting non-controlling interests reported for second half year	2,581	54,411	(95)

## 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 2021 and 31 December 2020:

	Note	Group		Company	
		31/12/2021 S\$'000	31/12/2020 S\$'000	31/12/2021 S\$'000	31/12/2020 S\$'000
<b>Financial Assets</b>					
Financial assets, at FVOCI	10	385	1,786	-	-
Financial assets, at FVPL		220	500	220	500
Cash and bank balances and trade and other receivables (Amortised cost)		280,537	210,431	126,720	138,655
		<u>281,142</u>	<u>212,717</u>	<u>126,940</u>	<u>139,155</u>
<b>Financial Liabilities</b>					
Trade and other payables, lease liabilities and borrowings (Amortised cost)		(337,032)	(311,085)	(1,705)	(1,371)
Derivative financial instruments		(858)	(203)	-	-
		<u>(337,890)</u>	<u>(311,288)</u>	<u>(1,705)</u>	<u>(1,371)</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 2021 S\$'000	2 <sup>nd</sup> half year ended 31 December 2020 S\$'000	Full year ended 31 December 2021 S\$'000	Full year ended 31 December 2020 S\$'000
Dividend income from listed equity security	-	-	59	39
Interest income	15	42	20	172
Amortisation of deferred gain	63	61	127	122
Loss on disposal of property, plant and equipment	(44)	(201)	(418)	(195)
Government grants	-	55	35	3,118
Interest expenses				
- Revolving credit facility and other short-term liabilities	(156)	(370)	(468)	(1,124)
- Lease liabilities and bank borrowings	(4,113)	(3,959)	(8,405)	(8,136)
- Subordinated notes	(470)	(451)	(938)	(898)
- Amortisation of financing costs	(176)	(171)	(350)	(343)
Depreciation of property, plant and equipment	(6,749)	(6,789)	(13,532)	(13,156)
Amortisation of intangible assets	(2,649)	(2,622)	(5,300)	(5,244)
Inventories written down	(14,494)	(1,911)	(17,145)	(1,948)
Foreign exchange (loss)/gain, net	(3,726)	3,446	3,239	920
Bad debt recovered/(written off)	1,328	65	1,443	(40)
Net fair value (loss)/gain on derivatives	(4,084)	87	(928)	(67)
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:

	Group			
	2 <sup>nd</sup> half year ended 31 December 2021 S\$'000	2 <sup>nd</sup> half year ended 31 December 2020 S\$'000	Full year ended 31 December 2021 S\$'000	Full year ended 31 December 2020 S\$'000
Current income tax expense	(17,784)	(9,155)	(53,491)	(17,742)
Deferred tax income/(expense)	16,782	(10,423)	17,405	(9,280)
Current and deferred tax adjustments in respect of prior years	216	(732)	216	(356)
	<u>(786)</u>	<u>(20,310)</u>	<u>(35,870)</u>	<u>(27,378)</u>

## 8. Dividends

	Group and Company	
	Full year ended 31 December 2021 S\$'000	Full year ended 31 December 2020 S\$'000
Ordinary dividends paid:		
Final tax exempt 2021 dividend of Nil cents per share (2020: Final tax exempt 2020 dividend of 0.78 cents per share)	-	7,236
Interim tax exempt 2021 dividend of 0.84 cents per share (2020: Interim tax exempt 2020 dividend of 0.72 cents per share)	7,676	6,814
	<u>7,676</u>	<u>14,050</u>

## 9. Net Asset Value

	Group		Company	
	31/12/2021 S\$ cents	31/12/2020 S\$ cents	31/12/2021 S\$ cents	31/12/2020 S\$ cents
Net asset value per ordinary share	<u>32.35</u>	<u>25.78</u>	<u>17.65</u>	<u>18.40</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:

	Group	
	31/12/2021 S\$'000	31/12/2020 S\$'000
Malaysia listed equity securities		
- Classic Scenic Berhad	-	1,786
- Straits Energy Resources Bhd (Formerly known as Straits Inter Logistics Berhad)	385	-
	<u>385</u>	<u>1,786</u>

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 dates of disposal and a cumulative gain on disposal of S\$177,000, which was reclassified from fair value reserve to retained profits. There was no disposal in the interim period ended 31 December 2020.

## 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 observables 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 2021</b>				
<b>Finance assets</b>				
FVPL investment	-	-	220	220
FVOCI (Quoted investments)	385	-	-	385
<b>Financial liabilities</b>				
Derivative financial instruments	-	(858)	-	(858)
<b>31 December 2020</b>				
<b>Finance assets</b>				
FVPL investment	-	-	500	500
FVOCI (Quoted investments)	1,786	-	-	1,786
<b>Financial liabilities</b>				
Derivative financial instruments	-	(203)	-	(203)
<b>Company</b>				
<b>31 December 2021</b>				
<b>Financial assets</b>				
FVPL investment	-	-	220	220
<b>31 December 2020</b>				
<b>Financial assets</b>				
FVPL investment	-	-	500	500

## 11. Group's borrowings and debt securities

	Group	
	31/12/2021 S\$'000	31/12/2020 S\$'000
<b>Secured borrowings</b>		
Repayable within one year	6,402	14,508
Repayable after one year	107,208	102,513
	<u>113,610</u>	<u>117,021</u>
<b>Unsecured borrowings</b>		
Repayable within one year	53,191	44,738
Repayable after one year	1,944	17,107
	<u>55,135</u>	<u>61,845</u>

### Security granted

The Group's secured borrowings comprise a revolving credit facility of S\$Nil (2020: S\$9,074,000), bank borrowings of S\$7,875,000 (2020: S\$8,393,000) and lease liabilities of S\$105,735,000 (2020: S\$99,554,000).

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

The bank borrowings are also secured partially by the real estate property of one of the Group's subsidiary corporations in the United States.

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

## 11. Group's borrowings and debt securities (cont'd)

### Revolving credit facility

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

## 12. Share capital and treasury shares

	Group and Company			
	Number of shares		Amount	
	Issued share capital	Treasury shares	Share capital	Treasury shares
	'000	'000	S\$'000	S\$'000
Balance as at 1 July 2021	950,145	(38,296)	169,597	(11,130)
Treasury shares purchases	-	(3,493)	-	(990)
Balance as at 31 December 2021	<u>950,145</u>	<u>(41,789)</u>	<u>169,597</u>	<u>(12,120)</u>
Balance as at 1 July 2020	950,145	(3,099)	169,597	(637)
Treasury shares purchases	-	(6,240)	-	(1,569)
Balance as at 31 December 2020	<u>950,145</u>	<u>(9,339)</u>	<u>169,597</u>	<u>(2,206)</u>

The Company has no outstanding convertibles as at 31 December 2021 and 31 December 2020.

The Company's subsidiaries do not hold any shares in the Company as at 31 December 2021 and 31 December 2020.

As at 31 December 2021, the issued and paid-up capital excluding treasury shares comprised 908,355,942 (31 December 2020: 940,806,542) ordinary shares.

As at 31 December 2021, the number of treasury shares represented 4.60% (31 December 2020: 0.99%) of the total number of issued shares excluding treasury shares.

As at 31 December 2021, there were no sales, transfers, cancellation and/or use of treasury shares and subsidiary holdings.

## 13. Subsequent events

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



## F. OTHER INFORMATION

### 1. Review

The condensed consolidated statement of financial position of Avarga Limited and its subsidiaries as at 31 December 2021 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

### 2. Review of performance of the group

#### Group financial performance by business segments

2<sup>nd</sup> half year ended 31 December 2021 ("2H2021") Vs 2<sup>nd</sup> half year ended 31 December 2020 ("2H2020")

	<u>2H2021</u> S\$'000	<u>Contribution</u> %	<u>2H2020</u> S\$'000	<u>Contribution</u> %
<b>Revenue</b>				
Paper manufacturing	23,888	2	25,429	3
Building products	963,583	97	939,491	96
Power plant	4,858	1	8,080	1
	992,329	100	973,000	100
<b>Gross profit</b>				
Paper manufacturing	2,993	4	5,046	3
Building products	66,526	92	156,463	95
Power plant	2,839	4	3,584	2
	72,358	100	165,093	100

Full year ended 31 December 2021 ("12M2021") Vs full year ended 31 December 2020 ("12M2020")

	<u>12M2021</u> S\$'000	<u>Contribution</u> %	<u>12M2020</u> S\$'000	<u>Contribution</u> %
<b>Revenue</b>				
Paper manufacturing	46,824	2	44,803	3
Building products	2,377,760	98	1,632,035	96
Power plant	10,821	-	16,421	1
	2,435,405	100	1,693,259	100
<b>Gross profit</b>				
Paper manufacturing	7,128	2	9,332	4
Building products	321,275	96	231,420	93
Power plant	6,004	2	6,982	3
	334,407	100	247,734	100

#### Overview

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

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

The Group reported net profit of S\$100.6 million for 12M2021, an increase of 34% or S\$25.8 million from S\$74.8 million for 12M2020. The Group's revenue for 12M2021 was approximately S\$2.4 billion, compared to S\$1.7 billion for 12M2020. Overall gross profit for 12M2021 increased by S\$86.7 million or 35% to S\$334.4 million despite overall gross profit margin percentage decreasing from 14.6% for 12M2020 to 13.7% for 12M2021.

For 2H2021, the Group reported net profit of S\$2.6 million, a decrease of 95% or S\$51.8 million from S\$54.4 million for 2H2020. The Group's revenue for 2H2021 was S\$992.3 million, compared to S\$973.0 million for 2H2020. Overall gross profit decreased by S\$92.7 million or 56% to S\$72.4 million. Overall gross profit margin percentage decreased from 17.0% for 2H2020 to 7.3% for 2H2021. These decreases were due to commodity prices falling dramatically during the third quarter. Furthermore, the Group booked a S\$14.5 million and S\$17.1 million inventory reserve for

2H2021 and 12M2021 respectively due to the impact of falling commodity prices on its treated inventory values at the building products business.

### Revenue

Revenue from the building products business of Taiga for 2H2021 was S\$963.6 million compared to S\$939.5 million over the same period last year. Revenue from the building products business of Taiga for 12M2021 was S\$2.4 billion compared to S\$1.6 billion over the same period last year. The increase in revenue was largely due to increased selling prices for commodity products during the period, which was partially offset by dramatically falling in commodity prices during the third quarter of the year before the prices increased again in the fourth quarter of the year.

### Gross margin

Gross margin from the building products business for 2H2021 decreased by S\$89.9 million or 57% to S\$66.5 million from S\$156.5 million over the same period last year. Gross profit margin percentage of the building products business decreased from 16.6% for 2H2020 to 6.9% for 2H2021. The decrease was primarily due to commodity prices falling dramatically during the third quarter of the current year.

Gross margin from the building products business for 12M2021 increased by S\$89.8 million or 39% to S\$321.3 million from S\$231.4 million over the same period last year. Gross profit margin percentage of the building products business decreased from 14.2% for 12M2020 to 13.5% for 12M2021. The decrease was primarily due to fluctuations in commodity prices.

### Expenses

Distribution expenses remained relatively constant at S\$15.3 million for 2H2021 and 2H2020. Distribution expenses were S\$30.6 million and S\$28.9 million for 12M2021 and 12M2020 respectively.

Selling and administrative expenses for 2H2021 were S\$41.7 million as compared to S\$72.2 million over the same period last year. The decrease was primarily due to decreased compensation costs. Selling and administrative expenses for 12M2021 were S\$159.2 million as compared to S\$108.8 million over the same period last year. The increase was primarily due to increased compensation costs.

Finance expenses remained relatively constant at S\$4.9 million for 2H2021 and 2H2020. Finance expenses for 12M2021 were S\$10.2 million as compared to S\$10.5 million over the same period last year.

Other losses for 2H2021 included a foreign exchange loss of S\$3.7 million (2H2020: foreign exchange gain of S\$3.4 million) that arose mainly from the translation of intercompany receivables denominated in Canadian dollar and United States Dollar; and a net fair value loss on derivatives of S\$4.1 million (2H2020: fair value gain of S\$87,000). These losses were partially offset by a bad debt recovered of S\$1.3 million for 2H2021 (2H2020: S\$65,000).

Other income for 12M2021 included a foreign exchange gain of S\$3.2 million (12M2020: S\$0.9 million) that arose mainly from the translation of intercompany receivables denominated in Canadian dollar and United States Dollar; and bad debt recovered of S\$1.4 million for 12M2021 (12M2020: Bad debts written off of S\$40,000). Other income also included Covid-19 related government grants of S\$35,000 for 12M2021 while it was S\$3.1 million in the previous corresponding year. These incomes were partially offset by a net fair value loss on derivatives of S\$0.9 million (12M2020: S\$67,000).

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

The Group's total assets increased from S\$651.0 million as at 31 December 2020 to S\$768.0 million as at 31 December 2021. The increase of S\$117.0 million was primarily the result of increased cash and cash equivalents and inventories.

Property, plant and equipment increased to S\$173.9 million as at 31 December 2021 compared to S\$170.4 million as at 31 December 2020 primarily due to addition of S\$15.5 million partially offset by depreciation charge of S\$13.5 million during the year. The net book value of right of use assets as included in property, plant and equipment as at 31 December 2021 was S\$99.5 million after depreciation charge of S\$6.6 million for the current year.

Inventories increased to S\$242.6 million as at 31 December 2021 compared to S\$202.7 million as at 31 December 2020, primarily due to higher commodity price.

Total liabilities of the Group increased to S\$391.1 million as at 31 December 2021 from S\$344.1 million as at 31 December 2020. The increase was primarily due to increased accounts payables and accrued liabilities and increase in income taxes payable.

Revolving credit facility was nil as at 31 December 2021 from S\$9.1 million as at 31 December 2020. The decrease was due to increased cash flows from operations.

The Group's working capital was S\$246.7 million as at 31 December 2021 compared to S\$195.8 million as at 31 December 2020.

The Group's total equity as at 31 December 2021 amounted to S\$376.9 million (31 December 2020: S\$306.9 million).

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

Cash flows from operating activities generated cash of S\$183.2 million for 2H2021 compared to S\$95.4 million for the same period last year. Cash flows from operating activities generated cash of S\$128.2 million for 12M2021 compared to S\$60.9 million for the same period last year. The change between the comparative periods were primarily due to changes in non-cash working capital, particularly due to increased accounts receivable, increased inventories and increased account payables and accruals.

Investing activities generated cash of S\$2.7 million for 2H2021 compared to used cash of S\$2.6 million for the same period last year. Investing activities used cash of S\$1.5 million for 12M2021 compared to S\$4.5 million for 12M2020. 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\$111.9 million for the 2H2021 compared to S\$93.7 million for the same period last year. Financing activities used cash of S\$57.5 million for 12M2021 compared to S\$56.6 million for the same period last year. The changes were mainly due to repayments of Taiga's revolving credit facility, higher dividend paid and purchase of treasury shares in the current financial year.

Overall, the net increase in cash and cash equivalents for 2H2021 and 12M2021 were S\$74.0 million and S\$69.2 million respectively.

As at 31 December 2021, the Group's cash and cash equivalents was S\$88.2 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 FY2021 was a currency exchange gain of S\$3.2 million, compared to S\$0.9 million for FY2020.

Outlook of the respective business divisions are as follows: -

a) Building products business

Taiga's financial performance is primarily dependent on the residential construction, renovation and repairs markets in North America. These markets are affected by the strength or weakness in the general economy and as such are influenced by interest rates and other general market indicators. Taiga caters to both the primary housing and renovation markets. Taiga's primary and secondary markets are Canada and the United States respectively.

The outbreak of COVID-19 has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. As at the Taiga's financial statement approval date, the pandemic has had a positive impact on Taiga's business and financial performance in fiscal 2020 and the first half of fiscal 2021. This is a direct result of the increased demand for detached housing, record high commodity prices and low borrowing rates experienced during the pandemic. However, commodity prices did fall dramatically during the Taiga's third quarter which had a material impact on its results.

The extent to which COVID-19 may continue to impact Taiga's business activities in the same manner in future periods will depend on a number of factors, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, the rate at which vaccines are administered, the effectiveness of vaccines against the coronavirus and its mutations, subsequent outbreaks, business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease, the demand for detached housing in North America, future commodity prices, interest rates and the strength of the general economy. These events

are highly uncertain and as such, Taiga cannot predict with any certainty how the progression of the coronavirus pandemic and these events will ultimately impact Taiga's financial performance beyond fiscal year 2021.

In Canada, according to the Canada Mortgage and Housing Corporation ("CMHC") in their Spring 2021 Housing Market Outlook, housing starts in Canada are expected to range between 222,500 and 234,500 in 2022 compared to 221,100 and 230,000 units in 2021. In the United States, the National Association of Home Builders reported in January 2022 that housing starts are forecasted to total 1,625,000 units in the 2022 calendar year compared to 1,585,000 units in calendar year 2021.

b) Paper manufacturing business

The paper manufacturing business in Malaysia was affected by the country's imposition of a number of Movement Control Orders (MCOs), including an Enhanced MCO and total lockdown in mid-2021, aimed at curbing the spread of the COVID-19 virus. These restrictions severely limited business activities in the country, including a shutdown of most industries in the middle of the year. Among others, they also regulated the number of staff allowed to work, disrupted supply and customer chains while COVID 19-related shutdowns affected output. The restrictions have since been eased, particularly in the fourth quarter of 2021, as Malaysia's vaccination rates increased.

Due to these challenges, volume sales declined and costs increased. Volume sales in 2021 fell by 18%, from 77,009 to 63,447 tonnes, while revenue increased 6% to RM144.3 million due to higher selling prices. EBITDA declined by 25%, while pre-tax profit fell by 44% to RM9.3 million.

Going forward, the removal of most domestic restrictions since the fourth quarter of 2021 is positive. However, the Group is mindful of the continued risks of developments relating to COVID-19, elevated raw material costs and increasing competition within the industry.

c) Power plant business

The power plant in Myanmar started operations on 11 February 2014, and has now entered its eighth year of operations. Earnings for the power plant are largely backed by a 30-year power purchase agreement, expiring in February 2044, with the Electric Power Generation Enterprise ("EPGE"), under Myanmar's Ministry of Electricity and Energy. The power plant underwent scheduled major overhaul throughout 2019-2020.

Production of electricity was not affected by the COVID-19 pandemic given the need for electricity supply in Myanmar, where electrification rates are low. In 2021, the plant produced 368.1 million kWh electricity, 5% above the minimum 350 million kWh threshold, and 6% lower from the record production of 390 million kWh in 2020. The plant is committed to produce a minimum of 350 million kWh per year.

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

**5. Dividend information**

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

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

**(b) 2<sup>nd</sup> Half period ended 31 December 2020**

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

Name of dividend	Tax-exempt one tier
Dividend type	Final
Dividend amount per Share (in S\$ cents)	0.78 cents
Tax rate	-

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

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

The Company had already paid a total interim dividend of 0.84 Singapore cents per share for the year ended 31 December 2021 in June and September 2021. The Company has not declared any final dividend for the financial year ended 31 December 2021 (2020: 0.78 Singapore cents per share). Kindly refer to our “No Final Dividend and Cancellation of Dividend Policy Announcement” dated 26 February 2022 for further details.

**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**

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	34	Son of Tong Kooi Ong (Executive Chairman and substantial shareholder)	<u>Avarga Limited</u> Current 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	62	Father of Tong Ian (Chief Executive Officer and Executive Director)	<u>Avarga Limited</u> Current 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

26 February 2022