

AVARGA LIMITED
(Company Registration No. 196700346M)
(Incorporated in the Republic of Singapore)
(the “Company” or “Avarga”)

Minutes of the 56th Annual General Meeting of the Company (“AGM” or the “Meeting”)

Date : Friday, 28 April 2023

Time : 10:00 a.m.

Place : Held by way of electronic means

Present : Directors

Mr. Tong Kooi Ong – Executive Chairman
Mr. Tong Ian – Executive Director and Chief Executive Officer (“**Mr. Ian Tong**”)
Mr. Gary Ho Kuat Foong – Lead Independent Director
Ms. Chan Lay Hoon – Non-Independent Non-Executive Director
Mr. Moey Weng Foong – Independent Director
Mr. Andrew Lim Cheong Seng – Independent Director

Key Management Personnel

Mr. Khoo Hsien Meng, Kevin – President, Investments and Power Generation
Ms. Tai Lai Yeen – Group Finance Manager

In Attendance/By Invitation

As per attendance sheets maintained by the Company

Shareholders

As per attendance sheets maintained by the Company

Absent with Apologise : Ms. Ng Shin Ein – Independent Director

Chairman : Mr. Tong Kooi Ong (the “**Chairman**”) | Resolution(s) 1, 2, 3, 5, 6 and 7
Mr. Gary Ho Kuat Foong (“**Mr. Gary Ho**”) | Resolution(s) 4, 8 and 9

WELCOME ADDRESS

The Chairman welcomed the shareholders of the Company who had joined the Meeting via electronic means. He then introduced the members of the Company’s Board of Directors and key management personnel, who were present at the Meeting via video conference.

PRESENTATION

Prior to proceeding with the meeting proper, the Chairman invited Mr. Ian Tong to give a presentation.

Mr. Ian Tong then proceeded to give the presentation covering the topics as detailed in the “Transcript of the Corporate Presentation for Avarga Limited’s 56th Annual General Meeting” (the “**Transcript**”) which was released on the SGXNet on 28 April 2023. He informed shareholders that the recording of the Meeting, the Transcript, and the expanded presentation deck will be uploaded to the Company’s website after the Meeting.

After the presentation, the Meeting was handed back to the Chairman.

QUORUM

With the presence of the requisite quorum, the Chairman called the Meeting to order.

NOTICE OF MEETING

The notice convening the Meeting was taken as read.

QUESTIONS AND ANSWERS

The Chairman informed that he would propose all resolutions at the Meeting and would invite shareholders for questions after that.

The Company had invited shareholders to send in questions prior to the Meeting and there were no questions received from the shareholders as at the cut-off date and time.

POLLING PROCESS

The Chairman informed that all proposed resolutions at the Meeting would be voted by way of poll. Convene SG Pte Ltd ("**Convene**") and Agile 8 Solutions Pte. Ltd. (the "**Scrutineer**") had been appointed polling agent and scrutineer for the Meeting, respectively. The Scrutineer had independently checked and verified the validity of the proxy forms received by the Company before the Meeting.

A presentation on the casting of vote and the submission of questions via Convene's platform was shown. The shareholders were informed to cast their votes and submit their questions during the course of the Meeting.

The Chairman informed that the Company had received proxy forms from shareholders appointing the chairman of the Meeting as their proxy to vote on their behalf on the resolutions tabled at the Meeting and he shall vote according to their instructions.

MEETING AGENDA

RESOLUTION 1

To receive and consider the Directors' Statement and Audited Financial Statements for the Financial Year Ended 31 December 2022 together with the Auditors' Report thereon

The following ordinary resolution was proposed by the Chairman:

"That the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2022 together with the Auditors' Report thereon be hereby received and adopted."

RESOLUTION 2

Payment of Directors' Fees of up to S\$500,000/- for the Financial Year Ending 31 December 2023

The following ordinary resolution was proposed by the Chairman:

"That the payment of directors' fees of up to S\$500,000/- for the financial year ending 31 December 2023 be hereby approved."

RESOLUTION 3

Re-election of Mr. Andrew Lim Cheong Seng as Director

The following ordinary resolution was proposed by the Chairman:

“That Mr. Andrew Lim Cheong Seng, who retires under Regulation 114 of the Company’s constitution and being eligible, be hereby re-elected director of the Company.”

RESOLUTION 4

Re-election of Mr. Tong Kooi Ong as Director

As this agenda dealt with the re-election of the Chairman, the chair was passed to Mr. Gary Ho.

The following ordinary resolution was proposed by Mr. Gary Ho:

“That Mr. Tong Kooi Ong, who retires under Regulation 103 of the Company’s constitution and being eligible, be hereby re-elected director of the Company.”

Mr. Gary Ho then handed back the chair to the Chairman to continue with the proceedings of the Meeting.

RESOLUTION 5

Re-election of Mr. Tong Ian as Director

The following ordinary resolution was proposed by the Chairman:

“That Mr. Tong Ian, who retires under Regulation 103 of the Company’s constitution and being eligible, be hereby re-elected director of the Company.”

RESOLUTION 6

Re-Appointment of Messrs Moore Stephens LLP as Auditors

The Chairman informed that Messrs Moore Stephens LLP had expressed their willingness to continue in office.

Thereupon, the Chairman proposed:

“That Messrs Moore Stephens LLP be hereby re-appointed as auditors of the Company for the financial year ending 31 December 2023 at a fee to be agreed upon with the directors and to hold office until the conclusion of the next annual general meeting.”

RESOLUTION 7

Authority to Directors to Issue and Allot Shares

The following ordinary resolution was proposed by the Chairman:

“That pursuant to Section 161 of the Companies Act 1967 (the “Act”) and the rules, guidelines and measures issued by the Singapore Exchange Securities Trading Limited (the “SGX-ST”), the directors of the Company be and are hereby authorised and empowered to issue:

- (i) shares in the capital of the Company (“shares”);*
- (ii) convertible securities;*
- (iii) additional convertible securities issued pursuant to adjustments; or*
- (iv) shares arising from the conversion of the securities in (ii) and (iii) above,*

(whether by way of rights, bonus or otherwise in pursuance of any offer, agreement or option made or granted by the directors of the Company during the continuance of this authority or thereafter) at any time and upon such terms and conditions and for such purposes and to such persons as the directors of the Company may in their absolute discretion deem fit (notwithstanding the authority conferred by this resolution may have ceased to be in force), provided that:

- (1) the aggregate number of shares to be issued pursuant to this resolution (including shares to be*

*issued in pursuance of convertible securities made or granted pursuant to this resolution) does not exceed fifty per cent. (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company as calculated in accordance with sub-paragraph (2) below (“**Issued Shares**”), provided that the aggregate number of shares to be issued other than on a pro rata basis to members of the Company (including shares to be issued in pursuance of convertible securities made or granted pursuant to this resolution) does not exceed twenty per cent. (20%) of the total number of Issued Shares;*

- (2) *(subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of Issued Shares shall be based on the total number of Issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this resolution is passed, after adjusting for:*

- (i) new shares arising from the conversion or exercise of any convertible securities;*
- (ii) (where applicable) new shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with the Listing Manual; and*
- (iii) any subsequent bonus issue, consolidation or subdivision of shares.*

Adjustments in accordance with the abovementioned (i) or (ii) are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this resolution; and

- (3) *in exercising the authority conferred by this resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the constitution of the Company; and (unless revoked or varied by the Company in general meeting), in respect of sub-paragraph (1) above the authority conferred by this resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.”*

RESOLUTION 8

Authority to Issue Shares under the Avarga Group Employees’ Share Option Scheme 2018 (“Avarga Group ESOS 2018”)

As the Chairman was regarded an interest party to resolutions 8 and 9, the chair was passed to Mr. Gary Ho.

The following ordinary resolution was proposed by Mr. Gary Ho:

“That the directors of the Company be authorised and empowered to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Avarga Group ESOS 2018, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Avarga Group ESOS 2018 and such other share-based incentive scheme shall not exceed fifteen per cent. (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.”

RESOLUTION 9

Renewal of Share Purchase Mandate

The following ordinary resolution was proposed by Mr. Gary Ho:

“(a) That for the purposes of sections 76C and 76E of the Act, the exercise by the directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of the Company (the “**Shares**”) not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

- (i) on-market purchases (each an “**On-Market Share Purchase**”) on the SGX-ST; and/or
- (ii) off-market purchases (each an “**Off-Market Share Purchase**”) effected in accordance with any equal access scheme(s) as may be determined or formulated by the directors of the Company as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “**Share Purchase Mandate**”);

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the directors of the Company pursuant to the Share Purchase Mandate may be exercised by the directors of the Company at any time and from time to time during the period commencing from the date of the passing of this resolution and expiring on the earliest of:

- (i) the date on which the next AGM of the Company is held;
- (ii) the date by which the next AGM of the Company is required by law to be held; and
- (iii) the date on which the purchase of Shares by the Company pursuant to the Share Purchase Mandate is carried out to the full extent mandated;

(c) in this Resolution:

“**Prescribed Limit**” means 10% of the total number of issued Shares as at the date of the passing of this resolution (excluding any Shares which are held as treasury shares or subsidiary holdings as at that date); and

“**Maximum Price**” in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of an On-Market Share Purchase, 105% of the Average Closing Price; and
- (ii) in the case of an Off-Market Share Purchase, 120% of the Average Closing Price,

where:

“**Average Closing Price**” means the average of the closing market prices of a Share over the last 5 Market Days (“**Market Day**” being a day on which the SGX-ST is open for securities trading), on which transactions in the Shares were recorded, before the day on which the On-Market Share Purchase was made or before the date of the Company’s announcement of an offer for the Off-Market Share Purchase, as the case may be, and deemed to be adjusted for any corporate action that occurs during the above-mentioned relevant 5 Market Days and the day on which the On-Market Share Purchase was made; and

(d) the directors of the Company and/or each of them be and are/is hereby authorised to complete and do all such acts and things as they and/or he may consider necessary, desirable necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this resolution.”

Mr. Gary Ho then handed the chair back to the Chairman to continue with the proceedings of the Meeting.

QUESTIONS AND ANSWERS

After all the resolutions had been proposed, the Meeting paused for questions from the shareholders.

It was noted that there was no question received from the shareholders during the Meeting.

The Chairman informed that the Company had received some questions from the shareholders prior to the Meeting but after the cut-off date and time, and Mr. Ian Tong proceeded to address the substantial and relevant questions received from shareholders relating to the agenda of the Meeting as follows:

Question 1:	How does the high interest rate environment and weak lumber prices affect Taiga?
Answer:	It's precisely these risks, along with weak housing demand, that led to Taiga's decision of retaining capital. Low levels of borrowing mean less interest rate impact, and opportunities for growth could arise if other industry players with weaker balance sheets struggle through the downturn.
Question 2:	What is the cause for the falling trajectory of the power plant's profits?
Answer:	In accordance with the Singapore accounting standards, our concession arrangement follows the financial asset model, where income is front-loaded in the early years and lower in later years due to the use of the effective interest rate model. That said, disruptions in gas supply are also a risk that could lower our overall off-take.
Question 3:	As a shareholder, I consider a good investment one that provides cash flow to make other investments. While Taiga's performance looks good on paper, it does not provide cash flow to Avarga. What do you consider a good investment and what value do you see in the company?
Answer:	As you pointed out, Taiga's performance itself shows value, and what the company has generated in earnings compared to our acquisition price has been incredibly strong. Why can't Taiga make investments and continue growing? A company that does not distribute out its cash does not mean it lacks value. By that rationale, companies such as Amazon, Google, and Berkshire should not be bad investments.
Question 4:	Will the restructuring of the Paper business require additional capital?
Answer:	No additional capex is required for the restructuring, which has started to show some positive results. However, it is still in its early stages and management is monitoring it closely.
Question 5:	Does the company have enough working capital given that Taiga is not paying out dividends and the paper business is incurring losses?
Answer:	Yes, the company is financially solvent, and management is comfortable with the flexibility in our balance sheet.
Summary of other Questions:	Why is Avarga not paying dividends? Why are the group conserving cash? Why are the Company being cautious and conservative? What are the Company expectations on the outlook ahead?

	What is the Company immediate focus?
Answers:	<ol style="list-style-type: none"> 1. The bulk of consolidated earnings are from Taiga. Although Taiga did well in FY2021 and FY2022, it decided not to declare any dividend. Taiga is a wholesale distributor of building materials, especially lumber. Lumber prices are highly volatile, they went from US\$300-plus to over US\$1,600, and now back to US\$400 per thousand board feet. Anticipating higher interest rates and a liquidity crunch, Taiga decided against relying on bank credit. The risk to the industry and the supply-chain ecosystem will intensify – with opportunities and resilience to those that are not leveraged. 2. The second cashflow is from the IPP in Myanmar. While we steer through 2022, we are less confident of the operating cashflow for 2023 and beyond. There is no shortage of demand for power, but Myanmar is experiencing a shortage of natural gas, which is necessary to run the IPPs. Consequently, our sales of power to the Myanmar Government fell behind the contractual PPA. This negatively affects our future cashflow and added a level of unpredictability. 3. Finally, our paper plant in Selangor, Malaysia performed badly in 2022, incurring large loss and negative operating cashflow. Selling prices were largely stagnant, but costs rose sharply. The large competitors from China entering the industry had impacted significantly. 4. Meanwhile, Avarga, excluding Taiga, had S\$24 million of bank borrowings in Singapore, some of which need to be repaid at the end of the year. Yes, we are not in any dire situation as we can easily meet our obligations, and we have plenty of undrawn bank facilities. But given our expectations of negative economic outlook, higher interest rates for a longer period, a stickier inflationary environment, the decoupling of global supply chains and de-globalisation, we believe a conservative approach to greater corporate resilience and sustainability is the right decision for the Company. 5. Our immediate focus is to stabilise the paper business, turnaround from losses. We have implemented a new strategy on products and operations, after extensive research and review. The past advantages of low energy costs (electricity and gas) are gone and the next key step would be on sustainability. For our power plant in Myanmar, we expect more challenges ahead. It will not get better in the near term. Our options are limited, and we have to be prepared for many scenarios. Taiga wants to, and needs to, further entrench its position in the building materials supply chain ecosystem, as demand for its products is expected to fall with a slower housing market in North America. 6. These account for the decision to preserve capital and to reinvest for growth and resilience.

POLLING AND RESULTS

All the proposed resolutions were then put to vote by poll.

After the poll taking had been concluded, and was independently checked and verified by the Scrutineer, the results of the poll were announced by the Chairman to the Shareholders, as follows:

Resolution number and details		Total number of shares represented by votes for and against the relevant resolution	For		Against	
			Number of shares	As a percentage of total number of votes for and against the resolution	Number of shares	As a percentage of total number of votes for and against the resolution
Ordinary Business						
1	Adoption of Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2022 together with the auditors' report thereon	513,265,925	513,265,925	100.00%	0	0.00%
2	Approval of directors' fees of up to S\$500,000/- for the financial year ending 31 December 2023	513,265,925	513,245,925	100.00%	20,000	0.00%
3	Re-election of Mr. Andrew Lim Cheong Seng as director pursuant to Regulation 114 of the Company's constitution	513,265,925	512,944,925	99.94%	321,000	0.06%
4	Re-election of Mr. Tong Kooi Ong as director pursuant to Regulation 103 of the Company's constitution	513,265,925	512,944,925	99.94%	321,000	0.06%
5	Re-election of Mr. Tong Ian as director pursuant to Regulation 103 of the Company's constitution	513,265,925	513,245,925	100.00%	20,000	0.00%
6	Re-appointment of Messrs Moore Stephens LLP as auditors and to authorise the directors to fix their remuneration	513,265,925	513,245,925	100.00%	20,000	0.00

Special Business						
7	Authority to directors to issue and allot shares	513,265,925	507,738,025	98.92%	5,527,900	1.08%
8	Authority to directors to issue shares under the Avarga Group Employees' Share Option Scheme 2018	214,713,925	208,885,025	97.29%	5,828,900	2.71%
9	Approval for renewal of Share Purchase Mandate	215,101,925	215,101,925	100.00%	0	0.00%

The Chairman declared all the resolutions were carried.

CONCLUSION

There being no other business to be transacted, the Chairman declared the Meeting closed at 10.42 a.m. and thanked the shareholders for their attendance.

Signed as true records
of the proceedings thereat

TONG KOOI ONG

Chairman