AVARGA LIMITED

ANNUAL REPORT 2023

RISK COMES FROM
NOT KNOWING WHAT YOU ARE DOING

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CORPORATE INFORMATION

BOARD OF DIRECTORS
Tong Kooi Ong
Executive Chairman

Tong Ian
Chief Executive Officer and Executive Director

Lai Ven Li
Lead Independent Director
(Appointed on 1 January 2024)

Moey Weng Foong
Independent Director

Andrew Lim Cheong Seng
Independent Director

Kevin Kang Kah Wee
Independent Director
(Appointed on 1 January 2024)

Chan Lay Hoon
Non-Independent Non-Executive Director

Gary Ho Kuat Foong
Lead Independent Director
(Ceased on 1 January 2024)

Ng Shin Ein
Independent Director
(Ceased on 1 January 2024)

COMPANY SECRETARY
Cheok Hui Yee

AUDIT AND RISK MANAGEMENT COMMITTEE
Lai Ven Li (Chairman) *(Chairman since 1 January 2024)*
Chan Lay Hoon
Moey Weng Foong
Andrew Lim Cheong Seng
Kevin Kang Kah Wee *(Member since 1 January 2024)*

NOMINATING COMMITTEE
Andrew Lim Cheong Seng (Chairman)
Lai Ven Li *(Member since 1 January 2024)*
Kevin Kang Kah Wee *(Member since 1 January 2024)*

REMUNERATION COMMITTEE
Moey Weng Foong (Chairman) *(Chairman since 1 January 2024)*
Chan Lay Hoon
Andrew Lim Cheong Seng

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77 Robinson Road
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Singapore 068896

INDEPENDENT AUDITOR
Moore Stephens LLP
10 Anson Road
#29-15
International Plaza
Singapore 079903

Partner-in-charge: Christopher Bruce Johnson
(Appointed since 31 December 2023)

BANKERS
Malayan Banking Berhad
United Overseas Bank Limited
CIMB Bank Berhad
Oversea-Chinese Banking Corporation, Limited

CEO'S STATEMENT

Dear Fellow Shareholders,

I would like to start my statement with three quotes from Warren Buffet:

> *"Risk comes from not knowing what you are doing."*
>
> *"It takes twenty years to build a reputation and five minutes to ruin it."*
>
> *"The best chance to deploy capital is when things are going down."*

We bought into your company and managed it since 2012. Since then, in all our past annual reports and at our shareholder meetings, we have written and articulated elaborate and comprehensive data, financials, and narratives on our businesses – covering historical, current trends, and outlook. We explained the decisions we made and why, as well as the actions we took and the outcomes.

Every year, we present to you our unique report card in the form of our restated income and cash flow statement, showing the yearly financial performance, profits, cash generated from operations, and how cash is raised (i.e. sale of assets), deployed (including dividends and share buybacks), invested (i.e. acquisitions), and the cumulative effects of all these decisions and actions, including on the balance sheet and our net cash or debt positions. As mentioned above, we have also articulated our rationale for each of those decisions.

Admittedly, not all our decisions are popular with shareholders, especially in not paying any dividends in 2022. We also do not plan to pay out dividends in 2023. Some shareholders believe it is unfair given we remain profitable, others think we went back on our word, and so on. We empathize and understand some shareholders want either a cash dividend or higher share prices, but running a company is not a popularity contest for the short term. We need to build a sustainable, healthy, and resilient company with good prospects, to do what is right for the company overall, based on our values and beliefs.

We believe we will be proven right in due course, and we hope the quotes above are as apparent to you as shareholders of Avarga as they are to us.

We were right to turn cautious for 2022 and 2023

A good place to start this year's statement is to refresh what was said the last two years, when we turned cautious and decided to strengthen our balance sheet, build up cash, repaid loans and opted not to pay our dividends.

CEO Statement in the 2021 Annual Report said: "There will be challenges to our businesses. For example, volatile commodity prices for Taiga, political tensions in Myanmar, and increased competition for our paper plant in Malaysia. Managing our capital, people, and market dynamics across our Group will continue to be our operational priority."

CEO Statement in the 2022 Annual Report had the following statements: "Whilst Taiga has benefitted significantly from the price volatility of lumber, it will inevitably decline. At the point of me writing this, lumber prices have dropped from over US$1,400/MBF to under US$400/MBF over the last year"; "Even a trading company with great management and prospects will go bust without liquidity to run its day-to-day business and meet obligations as the come due"; "Taiga must take advantage of our strong market positioning by investing and spearheading the necessary changes in the industry. Therefore, Taiga's board and management have decided to retain capital to facilitate our plans and strategies. We believe this is necessary to ensure the Company's sustainability and become even more successful in the years ahead."

CEO'S STATEMENT

Much of what we expected had since come to pass. In 2022, our paper manufacturing business reported a pre-tax loss of RM41.1 million, which included an impairment cost of RM20 million to our plant and machinery and a stock write-down of RM3.1 million. Revenue declined 21.1% and sales volume fell 21.4%. We expected and articulated this challenging operating environment – from intense competition coming from major Chinese paper competitors with their huge new investments and manufacturing scale, and higher costs from wastepaper, electricity, labour costs, and freight.

The operating environment also took a turn for the worst in Myanmar after the Tatmadaw (military) assumed control of the Government. The supply of gas to our power plant was short of what was agreed, became inconsistent and consequently, our sales of electric power fell short of the volume agreed in the Power Purchase Agreement (PPA). Sanctions by the USA and the West also added further challenges to the business.

As the USA reverted from the quantitative easing and the very low interest rates environment to the opposite end, to contain inflation, impose quantitative tightening and raise interest rates sharply, we knew there will be major negative consequences on housing demand, on demand and prices for building materials and therefore on our main subsidiary company, Taiga Building Products Ltd, which is a major wholesale distributor of building materials in Canada and USA. For example, one of our major products, dimensional lumber, saw an over 70% collapse in prices. With sales of over C$2 billion annually, higher interest rates and the possible drying up of financing liquidity pose a critical risk to Taiga given we must carry huge inventories, receivables, and stocks in preparation.

And as expected, two of our banks have reduced their credit facilities to Avarga in Singapore, even as our balance sheet is now stronger than before. We are glad we can meet these obligations without taking desperate measures.

In short, we are satisfied that we made the right decisions over the last two years, to retain capital to ensure the Company's sustainability and be prepared to capitalize on opportunities that will come.

Financial Year 2023

Pre-tax profit declined by 64% to S$39.1 million in 2023 from S$109.9 million in 2022. Net profit after non-controlling interests decreased to S$10.9 million from S$50.9 million, or 1.20 cent per share from 5.60 cents per share. Total revenue in 2023 was S$1,700.0 million compared to S$2,368.3 million in 2022.

On our balance sheet, total assets declined to S$707.9 million from S$725.8 million. Total equity grew to S$448.0 from S$432.5 million.

As we have done the last four years, pages 5 to 8 provide an alternative version of our financial statements and summary performance from 2012 to 2023. The restated financial statements use the same information in the Annual Report, to better express our cash flows, performance, investments, and returns.

The decline in financial performance was driven primarily by lower profit contributed from Taiga, an impairment loss of S$14.5 million for UPP Pulp & Paper and write down of our power plant receivables of S$13.7 million.

Wholesale Distribution of Building Materials (Canada and USA)

As expected, Taiga recorded a weaker performance in 2023 relative to 2022. Net earnings for the year was C$61.3 million compared to C$88.6 million in the prior year. EBITDA generated was C$91.3 million compared to C$139.3 million in 2022.

We have repeatedly shared our outlook on declining commodity lumber prices coupled with increasing interest rates impacting the property market in North America. The market played out that way as expected, which negatively impacted our financial performance. However, we did well relative to the industry as we were prepared with our strong balance sheet and inventory management.

Despite the decline in profitability, there were certainly some positive takeaways for the year. Taiga maintained similar levels of volume sales to the abnormal years of 2021 and 2022 – indicating that aside from the inflated commodity prices in previous years, the underlying operations remain stable and healthy. While gross margin percentage declined from those years, it was higher than it was before the Covid-related inflationary period – this indicates the company is operating more efficiently, which we believe is a result of the investments and strategies that have been put in place over the years.

CEO'S STATEMENT

Paper Manufacturing (Malaysia)

The paper manufacturing division continue suffered a challenging 2023. Revenue declined by 34.1% to RM75.0 million and sales volume declined by 23.1% from 2022. It recorded a pre-tax loss of RM64.3 million in 2023 compared to RM41.1 million in the prior year. This included an impairment cost of RM49.9 million to our PPE in 2023.

In 2023, we downsized our manufacturing operations and stopped the production of test liner and corrugated medium, focusing on core board as our main product. This strategy allowed us to pivot from being a direct competitor of the large Chinese players to a supplier while lowering our expenses. We achieved close-to-breakeven cashflows although we recorded a pre-tax loss of RM14.4 million in terms of accounting treatment, excluding the impairment expense.

As a Group, we are relatively satisfied with this performance, as our competitors suffered significant losses in 2023 given the difficult environment.

Power Generation (Myanmar)

On 1 February 2021, the Tatmadaw assumed control of the government in Myanmar and announced a one-year state of emergency. Since then, the country has witnessed public protests and labour strikes.

As discussed above, the supply of gas to our power plant was short of what was agreed in our PPA, and we only sold 74% of the annual minimum offtake for the year. Given the deteriorating situation and gas supply issues, we have decided to write down the future receivables. While we have recouped our initial capital and more from this investment, the risk dynamics have changed significantly, and we are exploring our options.

Looking ahead

To recap from last year's annual report, "However, every challenge comes opportunity. The rain that comes brings water to make the flower bloom. It clears the sky of the clouds and lets the sun's light through. Of course, we must be resilient to, first, overcome the rain."

Without negative monthly cash flows, we continue to tweak the business at the paper plant and have activated a major long-term strategic plan. Success is never guaranteed but we will try. Certainly, it will be suicidal to continue business as they were in the face of these gigantic Chinese competitors.

On Myanmar, in the face of the uncertainties on gas supply and the non-fulfillment of the electrical power offtake as agreed under the PPA, we are assessing our next course of action and will update you as appropriate.

At Taiga, we are executing several interesting new ideas, including the use of data technology for better management, trading, a customer-centric digital platform, and the application of Artificial Intelligence for backfilling orders and logistics. We are also working to significantly enhance our Interstate 5 strategy in western USA. Further downside to commodity building prices is now minimal. We should now be more aggressive in the application of the cash reserves we have built up at Taiga.

I would like to thank my fellow board members at Avarga for all their guidance, our colleagues and associates for all their hard work, and of course, all the shareholders for your continued support.

On behalf of Avarga and our group of subsidiaries, I wish you and your loved ones well.

Thank you,

TONG IAN
CEO and Executive Director

CEO'S STATEMENT

Table 1: Avarga's restated income and cash flow statement

For the Financial Year Ended 31 December (S$ million)												
	2023	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Revenue	1,700.0	2,368.3	2,435.4	1,693.3	1,403.9	1,572.7	1,455.2	63.3	61.1	116.9	48.1	50.0
Gross profit	199.4	310.6	334.4	247.7	150.4	145.7	132.4	18.7	17.5	15.5	8.1	8.1
EBITDA (before exceptional items)	93.3	147.8	162.0	129.9	68.4	58.2	61.3	14.1	12.1	10.7	4.4	5.4
Significant non-cash items:												
Fair value adjustments for Taiga acquisition	–	–	–	–	–	–	(9.5)	–	–	–	–	–
Depreciation	(13.8)	(13.9)	(13.5)	(13.2)	(12.7)	(8.0)	(7.0)	(2.6)	(2.6)	(2.9)	(3.2)	(3.1)
Amortisation of intangibles	(5.0)	(5.2)	(5.3)	(5.2)	(5.2)	(4.8)	(4.3)	–	–	–	–	–
Amortisation of deferred gain	0.1	0.1	0.1	0.1	0.1	0.4	0.4	–	–	–	–	–
Forex gains/(losses)	(0.3)	(3.6)	3.2	0.9	3.7	(6.1)	(3.9)	1.1	3.4	1.7	–	(0.2)
Impairment loss on property, plant and equipment	(14.5)	(6.1)	–	–	–	–	–	–	–	–	–	–
Loss allowance on service concession receivables	(13.7)	–	–	–	–	–	–	–	–	–	–	–
Gain on extinguishment of Taiga notes	–	–	–	–	–	–	2.4	–	–	–	–	–
Gain on disposal of Kajang land	–	–	–	–	–	–	1.2	–	–	–	–	–
Gain on disposal of Tuas factory	–	–	–	–	10.9	–	–	–	–	–	–	–
Cash items:												
Net interest expenses	(7.0)	(9.2)	(10.1)	(10.3)	(11.9)	(8.6)	(15.5)	0.5	0.4	0.2	0.3	0.3
	(54.2)	(37.9)	(25.6)	(27.7)	(15.1)	(27.1)	(36.2)	(1.0)	1.2	(1.0)	(2.9)	(3.0)
Pre-tax profit	**39.1**	**109.9**	**136.4**	**102.2**	**53.3**	**31.1**	**25.1**	**13.1**	**13.3**	**9.7**	**1.5**	**2.4**
Net cash generated from operating activities (after tax)	**110.1**	**54.6**	**128.2**	**60.9**	**59.8**	**56.7**	**56.5**	**18.4**	**18.8**	**14.0**	**2.4**	**3.7**
Less committed cash payments:												
Interest expense to finance the acquisition of Taiga and Taiga subordinated notes interest	(1.9)	(2.3)	(2.1)	(1.8)	(1.8)	(1.5)	(9.7)	–	–	–	–	–
Repayment of Taiga lease obligations	(6.3)	(6.0)	(5.2)	(4.9)	(4.9)	(2.5)	(2.0)	–	–	–	–	–
Sub-total	(8.2)	(8.3)	(7.3)	(6.7)	(6.7)	(4.0)	(11.7)	–	–	–	–	–
Net excess cash from operations	**101.9**	**46.3**	**120.9**	**54.2**	**53.1**	**52.7**	**44.8**	**18.4**	**18.8**	**14.0**	**2.4**	**3.7**

CEO'S STATEMENT

Table 1: Avarga's restated income and cash flow statement (Continued)

	For the Financial Year Ended 31 December (S$ million)											
	2023	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Use of Cash: How we used the cash?												
Capex – PPE (net)	(5.6)	(5.8)	(3.9)	(4.6)	(2.1)	(5.2)	(2.8)	(1.1)	(1.1)	(0.2)	(0.8)	(1.8)
Acquisition of non-controlling interests in UPP Pulp & Paper	–	–	–	–	–	–	(4.9)	–	–	–	–	–
Acquisition of Taiga shares	–	–	–	(2.0)	–	–	(20.5)	–	–	–	–	–
Acquisition of Taiga subordinated notes (later converted to shares)	–	–	–	–	–	–	(57.3)	–	–	–	–	–
Acquisition of Exterior Wood by Taiga	–	–	–	–	–	(55.1)	–	–	–	–	–	–
Acquisition of additional Taiga stake via Kublai	–	–	–	–	–	(9.3)	–	–	–	–	–	–
Investment in Myanmar Power Plant	–	–	–	–	–	–	–	–	–	(44.1)	(14.6)	–
Investment into Archisen	–	–	–	–	–	(0.5)	–	–	–	–	–	–
Investment in Classic Scenic	–	–	–	–	–	–	–	(2.8)	–	–	–	–
Purchase of financial assets, at FVPL	(12.2)	–	–	–	–	–	–	–	–	–	–	–
Investment in Straits Energy Resources Berhad	–	–	(4.5)	–	–	–	–	–	–	–	–	–
Share buyback: Avarga	–	–	(9.9)	(1.6)	–	(0.6)	–	–	–	–	–	–
Share buyback: Taiga	(0.6)	(0.1)	(0.9)	(3.3)	(4.3)	(1.7)	–	–	–	–	–	–
Changes in Taiga revolving credit facility (RCF)	–	–	(7.6)	(32.9)	(23.8)	(1.9)	(8.4)	–	–	–	–	–
Redemption of subordinated notes of Taiga	–	(12.4)	_	–	–	–	(15.9)	–	–	–	–	–
Dividends to Avarga shareholders	–	–	(14.9)	(11.5)	(42.6)	(8.8)	(8.8)	(12.6)	(4.2)	(1.3)	(1.3)	(0.6)
Dividends to Taiga non-controlling interest	(7.0)	–	(9.2)	–	–	–	–	–	–	–	–	–
Others	0.1	1.9	(0.1)	0.2	0.6	0.3	(1.2)	0.4	0.6	0.3	0.1	0.1
Sub-total	**(25.3)**	**(16.4)**	**(51.0)**	**(55.7)**	**(72.2)**	**(82.8)**	**(119.8)**	**(16.1)**	**(4.7)**	**(45.3)**	**(16.6)**	**(2.3)**
Surplus/(Deficit)	**76.6**	**29.9**	**69.9**	**(1.5)**	**(19.1)**	**(30.1)**	**(75.0)**	**2.3**	**14.1**	**(31.3)**	**(14.2)**	**1.4**

CEO'S STATEMENT

Table 1: Avarga's restated income and cash flow statement (Continued)

For the Financial Year Ended 31 December (S$ million)												
	2023	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Source of Cash: How we financed it?												
Sale of Kajang land	–	–	–	–	–	–	1.9	–	–	–	–	–
Sale of Tuas factory	–	–	–	–	18.4	–	–	–	–	–	–	–
Share placements – 2012 & 2017	–	–	–	–	–	–	10.0	–	–	–	–	40.3
Proceeds from conversion of warrants – 2012 to 2013	–	–	–	–	–	–	–	–	–	–	4.1	13.3
Sale of corporate bonds	–	–	–	–	–	–	–	–	–	3.5	3.0	–
Proceeds from disposal of listed equity security	–	0.4	6.8	–	–	–	–	–	–	–	–	–
Use of cash & borrowings (change in net cash/debt)	–	–	–	1.5	0.7	30.1	63.1	–	–	27.8	7.1	–
Increase in cash at bank	(76.6)	(30.3)	(76.7)	–	–	–	–	(2.3)	(14.1)	–	–	(55.0)
Sub-total	**(76.6)**	**(29.9)**	**(69.9)**	**1.5**	**19.1**	**30.1**	**75.0**	**(2.3)**	**(14.1)**	**31.3**	**14.2**	**(1.4)**
Change in net debt (bank borrowings, excluding Taiga notes & RCF)	**76.6**	**30.3**	**76.7**	**(1.5)**	**(0.7)**	**(30.1)**	**(63.1)**	**2.3**	**14.1**	**(27.8)**	**(7.1)**	**55.0**
Reconciliation with our net cash/debt balances:												
Net cash/debt at beginning (cash less borrowings, excluding Taiga RCF & notes)	68.8	38.5	(38.2)	(36.7)	(36.0)	(5.9)	57.2	54.9	40.8	68.6	75.7	20.7
Net cash/debt at end (cash less borrowings, excluding Taiga RCF & notes)	**145.4**	**68.8**	**38.5**	**(38.2)**	**(36.7)**	**(36.0)**	**(5.9)**	**57.2**	**54.9**	**40.8**	**68.6**	**75.7**
Change in net cash/ debt, excluding Taiga RCF & notes	**76.6**	**30.3**	**76.7**	**(1.5)**	**(0.7)**	**(30.1)**	**(63.1)**	**2.3**	**14.1**	**(27.8)**	**(7.1)**	**55.0**

CEO'S STATEMENT

Table 2: Summary of Avarga's performance and cash flows from 2012 to 2023

From 2012 to 2023, we have generated cumulative:

	S$ million	S$ million
Revenue		12,968.2
Gross profit		1,588.5
EBITDA (before exceptional items)		767.6
Pre-tax profit		537.1
Net cash from operating activities		**584.1**
Net excess cash from operating activities		**531.2**
What did we use it for?		
Capex – PPE (net)		(35.0)
Investment in Myanmar Power Plant		(58.7)
Acquisition of non-controlling interests in UPP Pulp & Paper		(4.9)
Acquisition of Taiga		(89.1)
– Taiga ordinary shares	(22.5)	
– Taiga subordinated notes (later converted to shares)	(57.3)	
– additional Taiga stake via Kublai Canada	(9.3)	
Investing activities made by Taiga		(181.1)
– redemption of subordinated notes of Taiga	(28.3)	
– acquisition of Exterior Wood by Taiga	(55.1)	
– share buyback and cancelled	(10.9)	
– changes in Taiga RCF	(74.6)	
– purchase of financial assets, at FVPL	(12.2)	
Portfolio investments		(7.8)
– stake in Archisen	(0.5)	
– stake in Classic Scenic	(2.8)	
– stake in Straits Energy Resources Bhd	(4.5)	
Share buyback: Avarga treasury shares		(12.1)
Dividends to Avarga shareholders		(106.6)
Dividends to Taiga non-controlling interests		(16.2)
Others		3.3
Subtotal		**(508.2)**
Surplus		**23.0**
How did we finance this?		
Sale of Kajang land		1.9
Sale of Tuas factory		18.4
Share placements - 2012 & 2017		50.3
Proceeds from conversion of warrants - 2012 to 2013		17.4
Proceeds from disposal of listed equity security		7.2
Sale of corporate bonds		6.5
Use of cash & borrowings (net change in cash/debt)		(124.7)
Sub-total		**(23.0)**

BOARD OF DIRECTORS

TONG KOOI ONG
Executive Chairman
Appointed to the Board on 15 March 2012

Mr. Tong is an entrepreneur and an analyst.

He has varied business interests in different countries and writes regularly for The Edge Malaysia and The Edge Singapore.

Mr. Tong is on the board of Taiga Building Products Ltd., a subsidiary corporation of the Group listed on the Toronto Stock Exchange in Canada.

Mr. Tong is a nominee director of Khazanah Nasional Berhad and sits on the Board of M+S Pte Ltd.

He holds a Bachelor of Arts in Business Administration and a Master of Arts in Economics and Finance from Simon Fraser University, Canada. In 2002, he was bestowed his Doctor of Laws (Honoris Causa) from the same university.

Mr. Tong is a husband, a father to 4 children and has 7 grandkids.

TONG IAN
Chief Executive Officer and Executive Director
Appointed to the Board on 7 March 2017

Mr. Tong Ian is Chief Executive Officer of the Group. He joined the Group in 2012 and was appointed Executive Director in 2017 and Chief Executive Officer in 2020. He is also the Chairman of Taiga Building Products Ltd., which became a subsidiary corporation of the Group in 2017, and oversees the Group's interests in that company.

Mr. Tong Ian is a director of The Edge Media Group Pte Ltd that publishes *The Edge Singapore*, *The Edge Malaysia*. He is also a director of The Edge Property Pte Ltd which owns the property portals EdgeProp.sg and EdgeProp.my.

Mr. Tong Ian holds a Bachelor of Arts in Sociology from Trinity Western University and a Masters in Management from Sauder School of Business, University of British Columbia, Canada.

LAI VEN LI
Lead Independent Director
Appointed to the Board on 1 January 2024

Ms. Lai has over 20 years of corporate and investment banking experience. Formerly Head of corporate banking for CIMB Singapore and Head of international corporate banking for CIMB group. Responsible for business strategy and portfolio development, managed asset portfolio in Singapore, Malaysia, Indonesia and other countries. Served as a member of the Group Credit, Risk and Compliance, Asset and Liability and Business Management committees of the bank.

Prior to CIMB, she joined the international banking of DBS. She was also partner of a real estate private equity firm.

Ms. Lai previously served on the board of directors of 3Cnergy Ltd, listed on the Singapore Exchange. She also served as the Chairman of Audit Committee and was a member of the Remuneration and Nominating committees of the company.

She graduated with a Bachelor of Commerce from The University of Western Australia. A Fellow of CPA Australia.

BOARD OF DIRECTORS

MOEY WENG FOONG

Independent Director
Appointed to the Board on 27 June 2020

Mr. Moey is the founder and Chief Executive Officer of GM Capital Management Singapore, an investment management and principal investments firm in Singapore.

Over the last two decades, Mr. Moey has been investing in early-stage growth companies in the Asia-Pacific region (including Japan), advising and growing the businesses, investing through successful financing rounds and eventual public and private exits. He has also been active in commercial real estate in the UK and Japan and was previously with Salomon Smith Barney and Goldman Sachs in New York and Singapore before founding GM Capital Management.

He holds a Bachelor of Arts in Economics and Philosophy from the National University of Singapore.

ANDREW LIM CHEONG SENG

Independent Director
Appointed to the Board on 1 January 2023

Mr. Lim has held various managerial positions in financial institutions and stockbroking firms in Malaysia and Singapore.

He was Head of Dealing in Phileo Allied Securities Sdn Bhd in the late 1990's and Head of Equity Capital Markets in Aminvest Bank Berhad in 2003 – 2005.

Mr. Lim served as an independent non-executive director in WCT Holdings Berhad (listed in Bursa Malaysia) from 2013 – 2017. He is currently a private investor.

He holds a Bachelor of Commerce from University of Newcastle, NSW, Australia.

KEVIN KANG KAH WEE

Independent Director
Appointed to the Board on 1 January 2024

Mr. Kang is an executive director and the CEO of HThree City, a real estate investment management firm in Singapore.

Mr. Kang has over twenty years of experience in private equity, fund management and investment banking. Prior to establishing HThree City, Mr. Kang was the Deputy CEO of a private equity real estate manager, and before that with ANZ Investment Bank and Ernst & Young.

Mr. Kang holds a Bachelor of Commerce from the University of Melbourne, Australia, and an MBA from the Melbourne Business School, Australia. He is also a member of the Institute of Chartered Accountants (Australia).

CHAN LAY HOON

Non-Independent Non-Executive Director
Appointed to the Board on 8 March 2019

Ms. Chan is currently the Chairman and Executive President of Spanish football club – Valencia Club de Futbol S.A.D. She also serves on the board of Project 92 Limited which owns the Salford City Football Club.

Ms. Chan was the Executive Chairman of RSP Architects Planners & Engineers (Pte) Ltd, a global multidisciplinary architectural and engineering design group with headquarters in Singapore from 2019 to 2022.

Prior to that, she was the Executive Chairman of Thomson Medical Pte Ltd from 2010 to 2015 and also served on the board of Thomson Medical Group, a public listed company on Singapore Exchange as its Deputy Chairman from 2015 till 2019 as well as on board the McLaren Group Limited, a British sports technology company from 2017 to 2020.

Ms. Chan is a board member of Singapore Olympic Foundation. She is also a member of the School Advisory Committee of Dunman High School.

She holds a Bachelor of Accountancy degree from the National University of Singapore and is a member of the Institute of Singapore Chartered Accountants.

BOARD OF DIRECTORS

GARY HO KUAT FOONG

Lead Independent Director
Appointed to the Board on 31 October 2006
(Ceased on 1 January 2024)

Mr. Ho has over 25 years of experience in corporate management and finance having been a Director of both publicly listed and private companies in Singapore, Malaysia and Australia.

Mr. Ho also serves on the board of directors of Secura Group Limited, listed on the Singapore.

He holds two Bachelor degrees in Commerce and Science from the University of Western Australia. He is also a member of the Institute of Singapore Chartered Accountants and CPA Australia.

NG SHIN EIN

Independent Director
Appointed to the Board on 20 April 2013
(Ceased on 1 January 2024)

Ms. Ng Shin Ein was appointed to the Board on 20 April 2013 and was last re-elected as a Director on 29 April 2022. Ms. Ng brings with her a blend of legal, business and diplomatic experience.

Ms. Ng is a legally trained private equity entrepreneur and co-founder of Gryphus Capital, a pan-Asian private equity firm. Prior to this, Ms. Ng spent a number of years at the Singapore Exchange where she was responsible for developing Singapore's capital market and bringing foreign companies to list in Singapore. Additionally, she was part of the Singapore Exchange's IPO Approval Committee, where she contributed industry perspectives and acted as a conduit between the market and regulators.

Ms. Ng was admitted as an advocate and solicitor of the Singapore Supreme Court in 1998 and practiced as a corporate lawyer in Messrs Lee & Lee. Whilst at Messrs Lee & Lee, she advised clients on joint ventures, mergers and acquisitions and fundraisings.

Ms. Ng has served on boards of companies listed on Nasdaq, the Singapore Exchange and the Australian Stock Exchange. She has steered some of these companies through their IPOs and seen others through their privatisations. She presently serves on the boards of Grab Holdings Inc, Starhub Limited, Singapore Land Limited and the Global Esports Federation. She is also on the Board of Governors of the Singapore International Foundation.

In 2015, Ms. Ng was awarded the Friend of Labour award for her service as a board member of Fairprice.

Apart from corporate boards, Ms. Ng serves as Singapore's Non-Resident Ambassador to the Republic of Hungary. In 2021, Ms. Ng was awarded the Commander's Cross, Order of Merit, the second highest civilian state award of Hungary.

TAIGA BUILDING PRODUCTS LTD. DIRECTORS

TONG IAN
Chairman and Director
Appointed to the Board on 20 July 2012

Information on Mr. Tong Ian is found in the Board of Directors section of this Report.

TONG KOOI ONG
Director
Appointed to the Board on 20 May 2005

Information on Mr. Tong Kooi Ong is found in the Board of Directors section of this Report.

BRIAN FLAGEL
Independent Director
Appointed to the Board on 17 November 2010

Mr. Flagel is President of Custom Consulting. Mr. Flagel retired from public service in Canada as Executive Director, Canada Border Services Agency ("**CBSA**"). He held several executive positions in CBSA where he was responsible for operational service delivery, international trade movements, strategic planning, professional standards and facility planning. He was Director, Canada Border Services, Vancouver International Airport for several years, and was Director, Global Trade Services, FedEx, Europe, Middle East and Africa Division from 1995 to 1998. Mr. Flagel received a Bachelor of Arts from the University of Manitoba.

GARSON DAVID LEE
Independent Director
Appointed to the Board on 8 November 2019

Mr. Lee is an experienced accounting professional with over 45 years of business and professional public practice experience in Canada. Upon graduating from the University of British Columbia, he joined Price Waterhouse & Company ("**PwC**") where he successfully completed his articles and obtained his Chartered Accountant degree. Mr. Lee left PwC to join Macmillan Bloedel Limited, which was Canada's largest forest products company.

He managed the company's Internal Audit Division and after 10 years, left to enter the public accounting field. He has 35 years of public practice experience as a Partner and retired in 2015. His firm was ranked among the top 30 Chartered Accounting firms in Canada. He is also the Managing Director of several private corporations which provide management, consulting and other professional services.

He was also appointed a Director of Vancouver Bullion & Currency Exchange Limited ("**VBCE**") in February 2018 and as a Director of Avarga Limited in March 2017 which he resigned from in September 2019. Avarga Limited is Taiga's major shareholder.

Mr. Lee holds a Bachelor of Commerce degree from the University of British Columbia. He also holds a Chartered Professional Accountant (CPA) and a Chartered Accountant (CA) designation. He is a member of the Chartered Professional Accountants of British Columbia and the Chartered Professional Accountants of Alberta.

TAIGA BUILDING PRODUCTS LTD. DIRECTORS

JIM TEH

Independent Director
Appointed to the Board on 12 November 2020

Mr. Teh is the Group Head, Corporate Development at Pan-United Corporation Limited, where he heads the Finance services of the company. He manages the group corporate strategy and corporate finance, treasury functions, as well as investor relations for the company. Mr. Teh is also the General Manager of Pan-United's slag cement grinding plant in Malaysia, which produces green cement for the construction industry. Mr. Teh has over 20 years of extensive experience in investment banking, of which 17 years was with CIMB Investment Bank Berhad.

Mr. Teh is a Fellow Member of the Association of Chartered Certified Accountants (FCCA) and a Member of the Malaysia Institute of Accountants (CA).

GRANT SALI

Director
Appointed to the Board on 6 May 2021

Mr. Sali's first job in the industry was with Weldwood of Canada, where he started in the warehouse and furthered his career as a salesman in their distribution and mill divisions. In 1982 he accepted a position as the sales manager at Trendwood in Edmonton. He came back to British Columbia in 1988 to work for Crestbrook Forest Industries Ltd as a sales manager out of their Cranbrook office. He was hired by Taiga in 1990 to establish the distribution centre in Kelowna. In 2001, he was promoted to Langley's branch manager and became a VP in 2007 with responsibility for Allied Products, Envirofor and the USA. In 2012 Mr. Sali assumed the position EVP Supply Management, adding Chief Procurement Officer to that role in 2015. Effective July 2022, Mr. Sali accepted the position of CEO, Taiga Ventures.

TRENT BALOG

Director
Appointed to the Board on 6 May 2021
(Resigned on 30 January 2024)

Trent Balog has spent his entire career in the building materials distribution industry. He began his journey working for Weldwood of Canada at their Edmonton warehouse, then onto Saskatoon in a sales role, then he moved to Calgary in 1987 with McMillian Bloedel, where he was Sales Supervisor for National Accounts. Trent ultimately made the move to Taiga Building Products in 1995, where he has spent the past 27 years. Trent began as a Trader, then progressed to helping develop the Preserved Wood program nationally. He was integral in launching Taiga Logistics, and from there he continued to take on more senior roles such as GM of the Prairies, Western VP, and then Chief Operating Officer. He was President and Chief Executive Officer for 6 years until retiring on 31 December 2021. Trent's leadership skills led to growing and developing the strongest network in the industry, including embracing technology at Taiga and introducing WMS (warehouse management system) to distribution operations. Trent has keen in sight into trends and consumer behavior given his years of experience, but more importantly contributed to building the unique and resilient culture that is Taiga. He was awarded the WRLA (Western Retail Lumber Association) Industry Achievement Award in 2022. He enjoys golfing, supporting his Edmonton Oilers, and skiing, among other pursuits.

Mr. Balog entered into a transition agreement with Taiga to serve as Co-CEO and President from 1 January 2021 to 31 December 2021 then provide consulting services for Taiga until 31 December 2023.

KEY MANAGEMENT PERSONNEL

KHOO HSIEN MING, KEVIN

President, Investments and Power Generation
Avarga Limited Group

Mr. Khoo joined the Group in 2012. He is responsible for new investment opportunities, strategic planning as well as managing the Group's portfolio of assets.

He is also the Managing Director of UPP Power (Myanmar) Limited with responsibility for the Group's power plant operations in Myanmar. Since 2023, he oversees the Group's paper manufacturing operations and restructuring in Malaysia as Director of UPP Pulp & Paper (M) Sdn Bhd.

Prior to joining the Group, Mr. Khoo was the Group Editor-in-Chief of The Edge Communications Sdn Bhd, Malaysia's leading business and financial media company. He has extensive management and operations experience in Malaysia, especially in the equities research, media and banking sectors. He started his career in Standard Chartered Bank Malaysia and later moved on to equities research in PhileoAllied Securities Sdn. Bhd. and Asia Analytica Sdn. Bhd.

Mr. Khoo holds a Bachelor of Commerce degree from the University of Melbourne.

TAI LAI YEEN

Group Finance Manager
Avarga Limited

Ms. Tai is responsible for the accounting, finance, taxation as well as internal control functions of the Group. Prior to joining the Group in December 2010, Ms. Tai was an Assurance Manager of an international firm of certified public accountants and she has extensive experience in the accounting and auditing profession.

Ms. Tai holds a degree in Accountancy from the University of Putra Malaysia. She is a chartered accountant with the Institute of Singapore Chartered Accountants and member of The Institute of Internal Auditors Singapore.

NG LEE HUANG

Managing Director
UPP Pulp & Paper (M) Sdn Bhd

Ms. Ng was appointed as Managing Director of UPP Pulp & Paper (M) Sdn Bhd, a subsidiary of the Group, on 1 June 2020. She works closely together with the CEO in overseeing the operational and financial management of the Group's paper manufacturing business.

Ms. Ng joined UPP Pulp & Paper (M) Sdn Bhd in March 2001 and was Senior Finance & Human Resource Manager prior to the appointment. Prior to joining the company, she had working experience in property and audit firms.

Ms. Ng holds a professional accounting qualification by ACCA. She is a Fellow member of the Association of Chartered Certified Accountants and a Fellow member of the Malaysian Institute of Accountants.

RUSSELL PERMANN

Chief Executive Officer and President
Taiga Building Products Ltd.

Mr. Permann joined Taiga in 2008 as General Manager, Engineered Wood Products and gradually took on greater responsibilities including overseeing our business in the Prairies, and the USA and managing the Envirofor plants. Prior to his most recent appointment, he was EVP of Operations and Chief Operating Officer in March 2015. Mr. Permann was then promoted to Co-CEO and President effective as of 1 January 2021. Effective as of 1 January 2022, Mr. Permann took over as Taiga's sole CEO and President.

Mr. Permann has a Bachelor of Arts in Political Science from University of Calgary and an MBA from Athabasca University.

KEY MANAGEMENT PERSONNEL

MICHAEL SIVUCHA

Chief Operating Officer
Taiga Building Products Ltd.

Mr. Sivucha joined Taiga in 2012 as Panel Supply Manager and was promoted to Vice President, Commodities in 2015, where he took on the additional responsibilities of Lumber, Export Sales, Taiga Logistics, Pressure Treated Wood and Siding Sales. Prior to joining Taiga, he spent eight years with Tolko Industries Ltd., first as Business Development Manager and then as the N. American Sales Manager of its Strand-based businesses. Mr. Sivucha was promoted to Chief Operating Officer of Taiga on 28 February 2022.

Mr. Sivucha has a B.Sc. in Forestry from the University of British Columbia and an MBA from St. Mary's University. Prior to completing his MBA, he worked 7 years in forest operations.

MARK SCHNEIDEREIT-HSU

Chief Financial Officer, VP Finance & Administration and Corporate Secretary
Taiga Building Products Ltd.

Mr. Schneidereit-Hsu joined Taiga in 2005 as a Financial and Risk Analyst. In 2007 he was promoted to Manager, Corporate Planning, responsible for treasury, strategic planning, real estate, insurance and human resource. Mr. Schneidereit-Hsu was appointed as the Chief Financial Officer of Taiga effective 1 June 2013. Prior to joining Taiga, Mr. Schneidereit-Hsu worked in international development in the Middle East and managed a care home with Communitas Supportive Care Society.

He holds a Bachelor of Arts in International Relations from the University of British Columbia and an MBA from McGill University. He is also a Chartered Professional Accountant (CPA, CMA).

ZARI TIONGSON

Controller
Taiga Building Products Ltd.

Ms. Tiongson joined Taiga in June 2023 as the Controller. Prior to joining Taiga, Ms. Tiongson worked in various industries in both the manufacturing and service sectors. Most recently she was with Organika Health Products, a health supplement manufacturer, as the Director of Finance.

Ms. Tiongson holds a Bachelor of Accounting from the British Columbia Institute of Technology. She became a member of the Certified General Accountants (CGA) of British Columbia in 2013 and is also a Chartered Professional Accountant (CPA).

REPORT ON CORPORATE GOVERNANCE

Avarga Limited ("**Avarga**" or the "**Company**") is committed to high standards of corporate governance within the Avarga group of companies (the "**Group**") and adopts the corporate governance practices contained in the Code of Corporate Governance 2018 (the "**Code**").

The board of directors of the Company ("**Board**") confirms that it has adhered to the principles and provisions of the Code. In so far as any provision has not been complied with, the rationale for these deviations are provided. We believe that good corporate governance establishes and maintains an ethical environment within the Group, which serves the interests of all shareholders.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

The Company is headed by an effective Board which is responsible for the overall management of the Company. The Board works closely with the management of the Company (the "**Management**") for the long-term success of the Company and the Management remains accountable to the Board. In this regard, the Board supervises the achievements of Management's performance targets. This aligns the interests of the Board and Management with that of the shareholders, whilst balancing the interest of all stakeholders.

The Board also sets the tone for the Group in respect of ethics, values and desired organisational culture, and also ensures proper accountability within the Group. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

The role of the Board includes:

(1) providing entrepreneurial leadership, setting strategic objectives, and seeking to ensure that the necessary financial and human resources are in place for the Company to meet its objectives;

(2) overseeing the establishing of a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Group's assets;

(3) reviewing management performance;

(4) identifying the key stakeholder groups and recognising that their perceptions affect the Company's reputation;

(5) setting the Company's values and standards (including ethical standards) and ensuring that obligations to shareholders and other stakeholders are understood and met; and

(6) considering sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

REPORT ON CORPORATE GOVERNANCE

The directors discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

Upon the appointment of any new director, the Company will provide a formal letter to the director, setting out the director's duties and obligations. The Company will conduct briefings to ensure that any incoming and/or new directors become familiar with the Group's business and governance practices.

The Company has adopted a policy which welcomes directors to request for further explanations, briefings or informal discussions on any aspect of the Company's operations or businesses from the Management. The directors also sit on the boards of other listed companies and are therefore not only well aware of their duties and responsibilities, but how to discharge such duties. All Board members are also encouraged to attend regular training, at the Company's expense, particularly on relevant new laws, regulations and changing commercial risks from time to time. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with regulatory changes, where these changes have an important bearing on Avarga's or the directors' disclosure obligations, directors are briefed either during Board meetings or at specially-convened sessions conducted by professionals. In particular, directors are encouraged to attend relevant courses conducted by the Singapore Institute of Directors ("**SID**"), the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Institute of Singapore Chartered Accountants ("**ISCA**") and consultants.

During the financial year ended 31 December 2023 ("**FY2023**"), the following directors had attended the courses as set out below:

<u>Mr. Tong Ian</u>
- Climate Reporting Fundamentals Training

<u>Mr. Gary Ho Kuat Foong</u>
- CPA Australia Learning Insights
- CPA Congress 2023
- Can You Use AI & Comply with Your Ethical Obligations
- Professional Ethics in Focus
- Cybersecurity and Board/Audit Risk Committee Responsibilities

<u>Mr. Moey Weng Foong</u>
- The Next Frontier: Harnessing Advanced Enterprise Risk Strategies to Redefine and Mitigate Financial Crime Risk
- ESG: A Growth and a Regulatory Challenge
- China's Markets and Identifying the Right Investment Strategies
- Build a Winning Risk Strategy

REPORT ON CORPORATE GOVERNANCE

Mr. Andrew Lim Cheong Seng
- LED – Environmental, Social and Governance Essentials (Core)
- LED 1 – Listed Entity Director Essentials
- LED 2 – Board Dynamics
- LED 3 – Board Performance
- LED 4 – Stakeholder Engagement
- LED 5 – Audit Committee Essentials
- LED 6 – Board Risk Committee Essentials
- LED 7 – Nominating Committee Essentials
- LED 8 – Remuneration Committee Essentials
- Beyond the 9-year Rule – How Nominating Committees Can Transform

The Company has arranged for new director(s) to attend the training on the roles and responsibilities as a director of a listed issuer as prescribed by the Exchange:–

Mr. Kevin Kang Kah Wee
- LED 1 – Listed Entity Director Essentials
- LED 2 – Board Dynamics
- LED 3 – Board Performance
- LED 4 – Stakeholder Engagement
- LED 5 – Audit Committee Essentials
- LED 6 – Board Risk Committee Essentials
- LED 7 – Nominating Committee Essentials
- LED 8 – Remuneration Committee Essentials
- LED 9 – Environmental, Social & Governance Essentials

The Company has formulated guidelines setting forth matters reserved for the Board's decision. The matters reserved for the Board's decision are as follows:

(a) material acquisitions and disposals of assets/investments;

(b) corporate or financial restructuring;

(c) financial/funding arrangements;

(d) material capital expenditures;

(e) share issuances;

(f) dividend payments to shareholders; and

(g) other transactions of a material nature requiring announcement under the Listing Manual of the SGX-ST ("**Listing Manual**").

Management was also given clear directions on matters (including setting thresholds for certain operational matters relating to subsidiaries) that require the Board's approval.

REPORT ON CORPORATE GOVERNANCE

All directors exercise due diligence and independent judgement and make decisions objectively in the best interests of the Group. The Group adheres to the requirements under the Code. In determining the independence of its directors, please refer to Principle 2 in this report.

In accordance with Rule 210(5)(e) of the Listing Manual, and the Code, the Board has, without abdicating its responsibilities, established three (3) board committees (the "**Board Committees**") namely, the Audit and Risk Management Committee ("**ARMC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**"), each of which has been delegated with specific authority. Each Board Committee is chaired by an independent director and has its own written terms of reference to address their respective areas of focus and which sets out the authority and duties of the respective Board Committees.

Please refer to the Principles in this report, for further information on the activities of the ARMC, NC and RC.

During FY2023, the Board conducted regular scheduled meetings on a half-yearly basis to coincide with the announcement of the Group's half-yearly and full year financial results and to keep abreast of significant business activities and overall business environment.

Apart from board meetings, important or urgent matters concerning the Group are also presented for the Board's decision by way of written resolutions, fax, electronic mail and telephone conferencing. The Company's constitution (the "**Constitution**") provides for meetings to be held via telephone, radio, conference television or similar communication equipment or any other form of audio or audio-visual communication by which all persons participating in the meeting are able to hear and be heard by all other participants, for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Details of the number of Board meetings held in the year and attendance of each Board member at those meetings and meetings of the various Board Committees are provided on page 50 of this Annual Report.

The Management provides the directors with complete, adequate and timely information prior to meetings and on an on-going basis. Directors also have separate and independent access to the Management to enable them to make informed decisions and discharge their duties and responsibilities. Detailed meeting papers are prepared for each meeting of the Board and Board Committees and are normally circulated in advance of each meeting. The meeting papers include sufficient information from the Management on financial, business and corporate issues to enable the directors to be properly briefed on issues to be considered at Board meetings. In respect of budgets, where there is a material variance between the projections and actual results, the Management will disclose and explain this to the directors.

Directors are also entitled to request from the Management and are provided with such additional information by the Management as needed to make informed and timely decisions.

The company secretary(ies) and/or her representative(s) attends all Board meetings and is responsible to ensure that established procedures and all relevant statutes and regulations which are applicable to the Company are complied with. The appointment and removal of the company secretary(ies) is a decision of the Board as a whole. All directors have separate, direct and independent access to the advice and services of the company secretary(ies).

The Board also has in place procedures for directors to obtain independent professional advice on matters affecting the Group, if necessary, at the Company's expense.

REPORT ON CORPORATE GOVERNANCE

Principle 2: Board Composition and Guidance

The Company is headed by an effective Board to lead, control and direct the Company and the Board has a pivotal role in charting the strategic course and direction of the Group. As at the date of this report, the Board comprised seven (7) directors, namely Mr. Tong Kooi Ong, Mr. Tong Ian, Ms. Lai Ven Li, Ms. Chan Lay Hoon, Mr. Moey Weng Foong, Mr. Andrew Lim Cheong Seng and Mr. Kevin Kang Kah Wee. It is chaired by Mr. Tong Kooi Ong who is also an executive director. He is responsible for the leadership and objective functioning of the Board.

As at the date of this report, the Board comprised of the following members:

Mr. Tong Kooi Ong	Executive Chairman
Mr. Tong Ian	Chief Executive Officer ("**CEO**")/Executive Director
Ms. Lai Ven Li	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
Mr. Kevin Kang Kah Wee	Independent Director

The Chairman of the Board is the father of the CEO. The independent and non-executive directors make up a majority of the Board. Ms. Lai Ven Li is the Lead Independent Director. All directors are required to disclose to the Board in a timely manner any relationships or appointment which could impair their independence.

The Board (taking into account the views of the NC) reviews whether the individual independent directors are independent in conduct, character and judgement with reference to the provisions set out by the Code. In accordance with the provisions set out by the Code, the Board also considers whether any of the independent directors have any relationships with the Company, its related corporations, its substantial shareholders or its officers which could interfere, or be reasonable perceived to interfere, with the exercise of the respective director's independent business judgement in the best interests of the Company.

The Board noted that the independent directors had none of the relationships set out in Rule 210(5)(d) of the Listing Manual or Provision 2.1 of the Code, and that there were no relationships or circumstances relevant to the Board's determination of the independence of the independent directors in accordance with the Code.

On 1 January 2024, Mr. Gary Ho Kuat Foong and Ms. Ng Shin Ein concluded their directorship, while Ms. Lai Ven Li and Mr. Kevin Kang Kah Wee were appointed to the Board as part of the Board renewal initiative. This initiative adheres to the mandatory maximum 9-year tenure for independent directors as stipulated by the listing rules. Consequently, the Board of Avarga achieved its goal of having at least 50% of its directors be independent directors with less than 9 years of service.

The Board has determined that none of the independent director who has served on the board beyond nine years from the date of his first appointment.

REPORT ON CORPORATE GOVERNANCE

The Company has adopted a Board Diversity Policy which sets out its policy and the framework for promoting diversity on the Board. The Board is of the view that the current Board and Board Committees size facilitate effective decision-making and is appropriate, taking into consideration the nature and scope of the Group's operation, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees.

The Board recognises that a diverse Board will enhance the decision-making process by utilising the variety in skills, broad range industry and business experiences, gender and other distinguishing qualities of the members of the Board. Diversity will be considered in determining the optimum composition of the Board so that, as a whole, it reflects a range of different perspectives, complementary skills and experiences, which is likely to result in better decision-making. Such diversity will provide a wider range of perspectives, skills and experience, which will allow Board members to better identify possible risks, raise challenging questions, contribute to problem-solving and increase the effectiveness and success of the Group.

The current board composition reflects the Company's commitment to Board diversity. Each year, the NC reviews the composition and size of the Board and each Board Committee and takes into careful consideration a combination of factors when reviewing appointments to the Board and the continuation of those appointments. These factors include skills, core competencies, knowledge, professional experience, educational background, gender, age, geographical background, tenure of service and other distinguishing qualities of the Directors.

The Board (taking into account the views of the NC) considers that its Board comprises directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge necessary to lead and govern the Group effectively. They also provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge. Each director provides a valuable network of industry contacts which are considered essential to the Group and was appointed on the strength of his calibre, experience and stature. In recognition of the importance and value of gender diversity in the composition of the Board, Avarga always ensure that there is a mixture of male and female directors at all times. The Board currently has seven directors, which comprises of two females where one is independent and one is non-executive and non-independent and five male directors of which two are executives and three are independent. The Board consists of directors with ages ranging from mid-30s to mid-60s, who have served on the Board for different tenures.

The NC will continue to review the Board composition and its diversity, as appropriate, to ensure the effectiveness of the Board and will recommend appropriate revisions to the Board for consideration and approval, where necessary.

A brief description of the background of each director is presented in the "**Board of Directors**" section of this Annual Report.

The role of the non-executive directors (including the independent directors) includes constructively challenging and helping develop proposals on strategy, and helping to review the performance of Management in meeting the agreed goals and objectives and monitoring the reporting of performance.

Non-executive directors are encouraged to meet regularly without the presence of Management. The non-executive directors have such meetings at least once a year.

REPORT ON CORPORATE GOVERNANCE

Principle 3: Chairman and Chief Executive Officer

Mr. Tong Kooi Ong, the Chairman of the Board is the father of Mr. Tong Ian, the CEO. Although Chairman of the Board and the CEO are immediate family members, the Board are of the opinion that there is an appropriate balance of power, adequate accountability and capacity of the Board for independent decision making as reflected in the internal controls established within the Group. As the Chairman of the Board, Mr. Tong Kooi Ong's role includes:

(a) leading the Board to ensure its effectiveness on all aspects of its role;

(b) setting the agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;

(c) promoting a culture of openness and debate at the Board;

(d) ensuring that the directors receive complete, adequate and timely information;

(e) encouraging constructive relations within the Board and between the Board and Management;

(f) facilitating the effective contribution of non-executive directors in particular; and

(g) promoting high standards of corporate governance.

As the Chairman of the Board, Mr. Tong Kooi Ong also oversees the workings of the Board, ensuring that the Board is able to perform its duties and that there is a flow of information between the Board and the Management.

As the CEO, Mr. Tong Ian is assisted by the Management in the daily operations and administration of the Group's business activities and in the effective implementation of the Group's strategies. Mr. Tong Ian also reviews most of the board papers before they are presented to the Board.

The Management staff who have prepared the papers, or who may provide additional insights, are invited to present the papers or attend the Board meetings.

Ms. Lai Ven Li is the Lead Independent Director. The Lead Independent Director's role is to be available to shareholders when they have concerns, and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate. All the independent directors including the Lead Independent Director, meet at least annually without the presence of executive directors.

As most of the members of ARMC and RC and all members of NC are independent directors, the Board believes that there are sufficient independent elements and adequate safeguards without undue influence, from the Chairman and the CEO, to allow for effective Board oversight.

REPORT ON CORPORATE GOVERNANCE

Principle 4: Board Membership

The Board, in conjunction with the NC, reviews the composition of the Board and Board Committees annually, taking into account the need for progressive renewal of the Board.

As at the date of this report, the NC comprised three (3) directors, all of whom, including the Chairman, are independent non-executive directors. Ms. Lai Ven Li, the Lead Independent Director, is a member of the NC. As at the date of this report, the NC members comprised of the following members:

Mr. Andrew Lim Cheong Seng	(Chairman)
Ms. Lai Ven Li	(Member)
Mr. Kevin Kang Kah Wee	(Member)

The NC has written terms of reference endorsed by the Board that sets out its duties and responsibilities. The NC's key responsibilities are as follows:

(a) developing and maintaining a formal and transparent process for the appointment and re-appointment of directors to the Board and all things incidental, including:

  (i) making recommendations to the Board on all appointments to the Board;

  (ii) re-nominating directors at regular intervals; and

  (iii) determining annually, and as and when circumstances require, whether or not a director is independent;

(b) assessing the effectiveness of the Board as a whole and its board committees, and the contribution by the Chairman and each director to the effectiveness of the Board;

(c) deciding how the performance of the Board may be evaluated and to propose objective performance criteria;

(d) reviewing of the development and succession plans for senior management; and

(e) reporting to the Board its findings from time to time on matters arising and requiring the attention of the NC.

Succession planning is an important part of the governance process. The NC will review the board succession plans for directors, in particular the Chairman, CEO and key management personnel. The NC will also seek to refresh the Board membership progressively and in an orderly manner.

Potential new Board members may be recommended from time to time via contacts. When considering a new Board member, the NC reviews the curriculum vitae of the potential candidate and considers his/her experience and likely contribution to the Board and whether the candidate has sufficient time available to commit to his/her responsibilities as director. Where practicable, meetings with the potential candidate will be conducted before the NC makes its recommendation to the Board. The Board then makes the final determination for the appointment.

REPORT ON CORPORATE GOVERNANCE

Important issues to be considered as part of the process for the selection, appointment and re-appointment of directors include composition and progressive renewal of the Board and each director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent director.

New directors are at present appointed by way of a Board resolution after the NC approves their appointment. Existing directors who retire by rotation are at present re-appointed by way of a shareholders' resolution after the NC approves their re-appointment. Under the Constitution, at the annual general meeting of the Company in each year, one-third of the directors for the time being (save for the managing director), or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation and shall be eligible for re-election, provided always that all directors shall retire from office at least once every three years. Pursuant to Rule 720(5) of the Listing Manual, an issuer must have all directors submit themselves for re-nomination and re-appointment at least once every three years.

The NC has also reviewed the independence of the directors with reference to the Provision 2.1 of the Code, and has determined Ms. Lai Ven Li, Mr. Moey Weng Foong, Mr. Andrew Lim Cheong Seng, Mr. Kevin Kang Kah Wee, to be independent. All directors are required to disclose to the NC whether they have any relationships with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the Company. Consideration and assessment of the independence of each independent director is carried out during a meeting of the NC, whereby the directors are given an opportunity to raise any feedback during the meeting or to the Chairman of the NC.

The NC has also determined that the directors have been adequately carrying out their duties as directors, notwithstanding the number of listed company board representations and other principal commitments of each director. The NC took into consideration various factors, such as the respective director's record of attendance at the Company's Board and Board Committee meetings.

The Board believes that each director has to personally determine the demands of his or her competing directorships and obligations and assess how much time is available to serve on the Board effectively, and this determination would be based on various factors and not only the number of listed company board representations that the director has. Further, the NC from time to time assesses the independence of each director, the performance of the Board as a whole, and the contribution of each director to the effectiveness of the Board. For FY2023, the NC was satisfied that the directors who have multiple board representations have devoted sufficient time and attention to the affairs of the Group to discharge their duties as directors of the Company. Each director has control over their time, and there was a high rate of attendance at Board and Board Committee meetings. Accordingly, the NC and the Board have not set a maximum number of board representations a director may hold, and have not prescribed or adopted guidelines to address competing time commitments of directors on multiple boards.

No alternate directors have been appointed by the Board.

REPORT ON CORPORATE GOVERNANCE

Each meeting of the NC was properly minuted and upon confirmation of such minutes by the Chairman, a copy of the confirmed minutes was duly circulated to all members and the Board.

The information on each director's academic and professional qualifications, shareholdings, directorship and other principal commitments is presented in the "**Board of Directors**" and "**Directors' Statement**" sections of this Annual Report.

Principle 5: Board Performance

The NC is responsible for, *inter alia*, assessing the effectiveness of the Board as a whole and its Board Committees, and the contribution by the Chairman and each director to the effectiveness of the Board. The NC has established processes including taking into consideration the attendance record at the meetings of the Board and the Board Committees for monitoring and evaluating the performance of the Board as a whole and effectiveness and contribution of individual directors.

In respect of evaluating the effectiveness of the Board and Board Committees, each director is required to complete a board performance evaluation on a yearly basis. On the basis of returns submitted, a consolidated report will be presented to the NC for discussion, with a view to implementing recommendations to further enhance the effectiveness of the Board and/or the Board Committees.

In evaluating the performance of the Board and the Board Committees, the NC considers a set of objective performance criteria. Such objective performance criteria for the board evaluation are in respect of various aspects including board size and composition, board processes, board information and accountability and board performance in relation to discharging its principal functions and responsibilities for financial targets.

In respect of evaluating the contribution by the Chairman and each director to the effectiveness of the Board, each director is required to complete an evaluation form on a yearly basis. On the basis of returns submitted, a consolidated report will be presented to the NC for discussion.

In evaluating the performance of the individual directors, the NC considers a set of objective performance criteria, such objective performance criteria are in respect of various aspects including contribution at meetings, commitment of time, knowledge and skills, relevant experience and preparedness for meetings.

REPORT ON CORPORATE GOVERNANCE

REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

As at the date of this report, the RC comprised three (3) directors, all of whom are non-executive directors and majority of whom, including the Chairman, are independent.

The composition of the RC is as follows:

Mr. Moey Weng Foong	(Chairman)
Ms. Chan Lay Hoon	(Member)
Mr. Andrew Lim Cheong Seng	(Member)

The RC has its terms of reference defining its role which include the following:

(a) ensuring a formal and transparent procedure for developing policy on key management personnel remuneration and fixing the remuneration packages of individual directors;

(b) reviewing and recommending to the Board a general framework of remuneration for the Board and key management personnel, and also reviewing and recommending to the Board the specific remuneration packages for each director as well as for the key management personnel;

(c) reviewing the Company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous;

(d) considering whether directors and key management personnel should be eligible for benefits under long-term incentive schemes, including share schemes;

(e) considering the use of contractual provisions to allow the Company to reclaim incentive components of remunerations from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company;

(f) preparing a remuneration report annually providing clear disclosure of the Company's remuneration policy (including the link between remuneration paid to directors and key management personnel, and performance), level and mix of remuneration, and the procedure for setting remuneration, for recommendation to the Board;

(g) reporting to the Board its findings from time to time on matters arising and requiring the attention of the RC; and

(h) undertaking such other reviews, projects, functions, duties and responsibilities as may be requested by the Board.

REPORT ON CORPORATE GOVERNANCE

If necessary, the RC will seek expert advice from external remuneration consultants in determining the Group's remuneration policy above. The remuneration policy recommended by the RC is submitted for approval by the Board.

The RC reviews the reasonableness of the termination clauses of the contracts of service of executive directors and key management personnel. Where necessary, the RC obtains advice from external remuneration consultants for the Group's benchmarking of such contracts.

No remuneration consultants have been appointed for FY2023.

Having reviewed and considered the remuneration of the executive directors and the key management personnel, including the variable and discretionary component, which is moderate, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of their remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss.

In addition, the executive directors owe fiduciary duties to the Company. The Company should be able to avail itself of remedies against the executive directors in the event of such breach of fiduciary duties.

Whilst the RC reviews the fees payable to non-executive directors to be recommended for shareholders' approval at the AGM, no member of the RC may by himself or herself decide on his or her own remuneration.

Principle 7: Level and Mix of Remuneration

In setting remuneration packages, the aim of the RC is to ensure that the level and structure of remuneration is aligned with the long-term interest and risk policies of the Company, and is appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the Company. The RC takes into account the performance of the Group, as well as individual directors and key management personnel, aligning their interests with those of shareholders to maximise long-term shareholder value. Directors are paid director's fees, determined by the Board based on the effort, time spent and responsibilities of the directors. The RC aims to ensure that there is a formal and transparent procedure for developing a policy on executive remuneration and fixing the remuneration packages of individual directors. The RC also aims to ensure that non-executive directors are not overcompensated to the extent that their independence may be compromised. Directors' fees for directors are subject to the approval of shareholders at the annual general meeting.

The RC has approved a variable bonus system known as the Pay for Performance Remuneration Framework, for the executive directors and key management personnel, which takes into account a risk assessment matrix, and broad key performance indicators relating to the Group, such as the profit, rate of return and gearing. These performance conditions reflect the core values of the Group. The Company currently has an employee share option scheme known as the Avarga Group Employees' Share Option Scheme 2018 ("**Avarga Group ESOS 2018**"), which is intended to be a long-term incentive scheme.

REPORT ON CORPORATE GOVERNANCE

Principle 8: Disclosure on Remuneration

The remuneration of directors and top 5 key management personnel (who are not directors or the CEO) of the Group for FY2023 is set out below:

(a) Directors of the Company	Fees (S$)	Salary (S$)	Bonus (S$)	Benefits (S$)	Total (S$)
Mr. Tong Kooi Ong[1]	–	300,000	–	6,163	306,163
Mr. Tong Ian[1]	–	500,000	–	44,988	544,988
Mr. Gary Ho Kuat Foong (ceased as director on 1 January 2024)	70,000	–	–	–	70,000
Ms. Ng Shin Ein (ceased as director on 1 January 2024)	70,000	–	–	–	70,000
Ms. Chan Lay Hoon	64,000	–	–	–	64,000
Mr. Moey Weng Foong	61,000	–	–	–	61,000
Mr. Andrew Lim Cheong Seng	70,000	–	–	–	70,000

(b) Directors of Subsidiary, Taiga	Fees (S$)	Salary (S$)	Bonus (S$)	Benefits (S$)	Total (S$)
Mr. Tong Kooi Ong[1]	829,990[1]	–	–	–	829,990
Mr. Tong Ian[1]	775,320[1]	–	–	–	775,320
Mr. Brian Flagel	74,550	–	–	–	74,550
Mr. Garson David Lee	84,490	–	–	–	84,490
Mr. Jim Teh	74,550	–	–	–	74,550
Mr. Grant Sali[2]	–	–	1,739,500	–	1,739,500
Mr. Trent Balog[3] (ceased as director on 30 January 2024)	54,670	–	1,392,107	–	1,446,777

Notes:

(1) The independent directors of Taiga (Mr. Flagel, Mr. Lee, and Mr. Teh) reviewed and endorsed the awarding of bonuses to Mr. Tong Kooi Ong and Mr. Tong Ian for their significant contribution in 2023 as Executive Directors. Their evaluation method in determining the bonus amounts was similar to the process used for other Executives at Taiga. The contributions of Mr. Tong Kooi Ong and Mr. Tong Ian included providing guidance on the Company's Asia-based investments, share buyback strategies, compensation frameworks for management and frontline staff, investments in technology, and the identification of potential growth opportunities.

(2) Mr. Sali was awarded a bonus for his services rendered in 2023 in his capacity as CEO of Taiga Ventures. These services included consulting management with regards to new business initiatives and strategies.

(3) Mr. Balog was awarded a bonus for his services rendered in 2023 pursuant to his transition agreement with Taiga. These services included consulting management on sales strategies and customer relationships.

(c) Top 5 Key Management Personnel (who are not directors or the CEO)

Remuneration bands	Number
Less than S$250,000	1
S$250,001 to S$500,000	1
S$750,001 to S$1,000,000	1
S$1,500,001 to S$1,750,000	1
S$1,750,001 to S$2,000,000	1

REPORT ON CORPORATE GOVERNANCE

Taking note of the highly competitive industry conditions, pressure in talent market and the sensitivity and confidentiality of remuneration matters, the Board decided not to disclose the remuneration of the top five key management personnel (who are not directors or the CEO) of the Group on a name basis. The Board is of the view that the disclosure of such information would not be in the interests of the Company as such information is confidential and sensitive, and may facilitate the solicitation of the key management personnel. The Company needs to maintain stability in the management team. The Company believes that shareholders' interest will not be prejudiced as a result of non-disclosure of at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 on a name basis as the Company has disclosed the remuneration framework adopted by the Company in arriving at the remuneration package of Directors and key management personnel.

Total remuneration paid to the top 5 key management personnel (who are not directors or the CEO) for FY2023 was approximately S$4,903,000.

The RC met once during the year to decide on directors' fees, review the remuneration packages of executive directors, assess the performance of senior management and determine their compensation packages (including bonus awards) for FY2023. The RC's recommendations covered all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits-in-kind.

The names and remuneration of employees who are substantial shareholders of the Company, or are immediate family members of a director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeded S$100,000 during FY2023 are set out below:

Between S$1,100,000 to S$1,200,000

Name	Designation	Relationship
Mr. Tong Kooi Ong	Executive Chairman	Substantial shareholder and father of Mr. Tong Ian (CEO/Executive Director)

Between S$1,300,000 to S$1,400,000

Name	Designation	Relationship
Mr. Tong Ian	CEO/Executive Director	Son of Mr. Tong Kooi Ong (substantial shareholder and Executive Chairman)

The Group's remuneration framework comprises fixed pay and short-term and long-term incentives and is aimed to be aligned with the long-term interest and risk policies of the Group. The Group subscribes to linking remuneration to the performance of the Group, as well as individual directors and key management personnel, based on an annual appraisal of employees and using indicators such as competencies, key result areas, performance rating, and potential of the employees. Long-term incentive schemes are put in place to motivate and reward employees and align their interests with those of shareholders to maximise long-term shareholder value. Industry practices and norms are also taken into consideration. The RC has approved a variable bonus system known as the Pay for Performance ("**P4P**") Remuneration Framework, for the executive directors and key management personnel.

REPORT ON CORPORATE GOVERNANCE

The RC believes P4P is a comprehensive and transparent compensation scheme, promoting performance and risk management, as well as aligning the interests of Management with shareholders.

The P4P scheme has a clear framework based on a risk assessment matrix that incorporates the earnings and operating outlook, risk profiles and the required rate of return for each of our business units.

At the beginning of each year, the RC discusses and recommends for the Board's approval the risk assessment matrix for the coming year, based on a number of factors including:

- The risk parameters for each business unit, taking into account earnings sustainability, performance risks, country risk and currency risk

- The required rate of return for each risk profile, and consequently, the required rate of return for each business unit

Multiplying this required rate of return with the capital employed for each business unit yields the overall weighted required rate of return for the Company. The prevailing risk-free rate is then added to this required rate of return for the Company, with adjustments for gearing.

Compensation for the Company's Management is based on exceeding this hurdle Rate of Return on Capital Employed, which in 2023 was calculated at 9.53% (8.27% in 2022).

The Company currently also has an employee share option scheme known as the Avarga Group ESOS 2018, which is intended to be a long-term incentive scheme. The Avarga Group ESOS 2018 was approved by the Company's shareholders at an extraordinary general meeting held on 27 April 2018. The Avarga Group ESOS 2018 is administered by the RC.

The Avarga Group ESOS 2018 provides an opportunity for employees of the Group who have contributed significantly to the growth and performance of the Group, as well as executive directors who satisfy the eligibility criteria as set out in the rules of the Avarga Group ESOS 2018 ("**ESOS Rules**"), to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to past contributions and services. Additionally, the Avarga Group ESOS 2018 will help the Group to attract and retain the services of appropriate, qualified and experienced employees who would be able to contribute to the Group's business and operations.

Under the Avarga Group ESOS 2018, any executive director or confirmed employee of the Group selected by the RC to participate in the Avarga Group ESOS 2018 in accordance with the ESOS Rules who have, among other things, been in the employment of the Group for a period of at least 12 months, or such shorter period as the RC may determine, shall be eligible to participate. Controlling shareholders and their associates are also eligible to participate in the Avarga Group ESOS 2018. Under the Avarga Group ESOS 2018, the number of shares comprised in options offered to a participant shall be determined at the absolute discretion of the RC, who shall take into account, where applicable, criteria such as the bonus earned by the participant in any particular year, rank, past performance, years of service and potential contribution of the participant.

REPORT ON CORPORATE GOVERNANCE

The aggregate number of shares over which the RC may offer to grant options on any date, when added to:

(a) the aggregate number of new shares issued and issuable in respect of all other share-based incentive schemes of the Company (if any); and

(b) the number of treasury shares and subsidiary holdings delivered in respect of the options granted under all other share-based incentive schemes of the Company (if any),

shall not exceed 15% of the total issued shares (excluding treasury shares and subsidiary holdings) of the Company on the date immediately preceding the date of grant.

The aggregate number of shares over which the RC may offer to grant options to the controlling shareholders and their associates under the Avarga Group ESOS 2018, shall not exceed 25% of the shares available under the Avarga Group ESOS 2018, provided always that the number of shares available to each controlling shareholder or each of his associates shall not exceed 10% of the shares available under the Avarga Group ESOS 2018.

Subject to any adjustment pursuant to the ESOS Rules, the exercise price for each share in respect of which an option is exercisable shall be fixed by the RC at the market price as determined in accordance with the ESOS Rules.

The exercise price of the options is determined by the RC at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange for five market days immediately preceding the date of the grant. For the avoidance of doubt, the exercise price shall not be at a discount to the market price. Options granted shall only be exercisable, in whole or in part (provided that an option may be exercised in part only in respect of 100 shares or any multiple thereof), at any time, by an option holder during the exercise period.

Options granted shall be exercisable during a period commencing after the fourth anniversary of the date of grant of the option and expiring on the tenth anniversary of the date of grant of the option, subject to the following:

(a) Up to 25% only of the shares in respect of which that option is granted may be exercised during the period commencing from the date falling immediately after the fourth anniversary of the date of grant of that option and ending on the fifth anniversary of the date of grant of that option;

(b) Up to 25% only of the shares in respect of which that option is granted may be exercised during the period commencing from the date falling immediately after the fifth anniversary of the date of grant of that option and ending on the sixth anniversary of the date of grant of that option;

(c) Up to 25% only of the shares in respect of which that option is granted may be exercised during the period commencing from the date falling immediately after the sixth anniversary of the date of grant of that option and ending on the seventh anniversary of the date of grant of that option;

REPORT ON CORPORATE GOVERNANCE

(d) Up to 25% only of the shares in respect of which that option is granted may be exercised during the period commencing from the date falling immediately after the seventh anniversary of the date of grant of that option and ending on the tenth anniversary of the date of grant of that option;

provided always that all options shall be exercised by the tenth anniversary of the relevant date of grant, failing which all unexercised options shall immediately lapse and become null and void and a grantee shall have no claim against the Company.

A feature of the Avarga Group ESOS 2018 is that options may be exercised after a participant ceases to be employed by the Group (other than arising from misconduct on the part of the option holder (as determined by the RC in its absolute discretion)). This is because it is the Company's intention to use options to pay a portion of a participant's earned bonus entitlement instead of making such payment in cash, and the participant would in effect have paid for the option upon its grant since such option represents the consideration he receives for that part of his earned bonus entitlement.

In FY2023, no options were granted under the Avarga Group ESOS 2018. No options have been granted under the Avarga Group ESOS 2018 to date.

ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

The Board determines the Group's levels of risk tolerance and risk policies, and oversees Management in the design, implementation and monitoring of the risk management and internal control systems, to safeguard the interests of the Company and its shareholders.

The Board also reviews the adequacy and effectiveness of the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems annually. Such review is carried out internally.

For the financial year under review, the Board is of the view that the Group's internal controls (including financial, operational, compliance and information technology controls, and risk management systems) maintained by the Management that were in place throughout the financial year and up to the date of this Annual Report were adequate and effective, and provide reasonable, but not absolute, assurance against material financial misstatements or losses, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practices, and the identification and containment of business risk.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by Management, the Board and the ARMC are of the opinion that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems, were adequate and effective as at 31 December 2023.

REPORT ON CORPORATE GOVERNANCE

The Board, together with the ARMC and the Management, will continue to enhance and improve the existing internal control framework to identify and address critical and significant risks relating to financial, operational, compliance and information technology. The system of internal controls established by the Group provides reasonable, but not absolute, assurance that the Group's assets and investments are safeguarded. The likelihood of achieving the internal control objectives is affected by limitations inherent in all internal control and risk management systems. The Board notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgments in decision-making, human errors, losses, fraud or other irregularities.

The Board has received assurance from the CEO/Executive Director and the Executive Chairman that, as at 31 December 2023, the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances.

The Board has also received assurance from the CEO/Executive Director, Managing Director of Paper Manufacturing, President of Investments and Power Generation and Group Finance Manager, who are responsible, that the Group's risk management and internal control systems were adequate and effective as at 31 December 2023 to address the risks that the Group considers relevant and material to its operations.

The ARMC has been tasked to assist the Board in carrying out its responsibility of overseeing the Group's risk management framework and policies adequately.

Principle 10: Audit and Risk Management Committee

As at the date of this report, the ARMC comprised five (5) directors, all of whom, are non-executive directors and the majority of whom, including the Chairman, are independent. The Chairman and all its members have recent and relevant accounting or related financial management expertise or experience.

As at the date of this report, the composition of the ARMC is as follows:

Ms. Lai Ven Li	(Chairman)
Ms. Chan Lay Hoon	(Member)
Mr. Moey Weng Foong	(Member)
Mr. Andrew Lim Cheong Seng	(Member)
Mr. Kevin Kang Kah Wee	(Member)

The ARMC has written terms of reference defining its role which include the following:

(a) review the scope and results of audit of the external audit and the independence (annually), its cost effectiveness and the objectivity of the external auditors;

(b) where the auditors also supply a substantial volume of non-audit services to the Company, the Committee shall keep the nature and extent of such services under review, seeking to maintain objectivity;

REPORT ON CORPORATE GOVERNANCE

(c) meet with the external auditors and internal auditors without the presence of the Company's Management at least once a year:

- discuss problems and concerns, if any, arising from the internal and external audits, and any matters which the auditors may wish to discuss; and
- review the assistance given by Management to the auditors;

(d) determine the Company's levels of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems;

(e) review, comment and report to the Board at least annually, the adequacy and effectiveness of the Company's risk management and internal controls system;

(f) ensure that the internal audit function is adequately resourced (staffed with persons with the relevant qualifications and experience), independent of the activities it audits and has appropriate standing within the Company;

(g) review, at least annually, the adequacy and effectiveness of the internal audit function;

(h) review with the external auditors:

- the audit plan, including the nature and scope of the audit before the audit commences;
- their evaluation of the system of internal accounting controls;
- their audit report; and
- their management letter and Management's response;

(i) to ensure co-ordination where more than one audit firm is involved;

(j) to review the half yearly and annual financial statements before submission to the Board for approval, focusing in particular, on:

- changes in accounting policies and practices;
- major risk areas;
- significant adjustments resulting from the audit;
- the going concern statement;

REPORT ON CORPORATE GOVERNANCE

- compliance with accounting standards; and

- compliance with stock exchange and statutory/regulatory/requirements;

(k) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(l) review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement or any Singapore law, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and Management's response;

(m) review the policy and arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;

(n) review interested person transactions, if any, as defined under the requirements of the Listing Manual;

(o) report to the Board its findings from time to time on matters arising and requiring the attention of the ARMC;

(p) undertake such other reviews and projects as may be requested by the Board;

(q) make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors; and

(r) disclose the following information in the Company's annual report:

- names of the members of the ARMC;

- details of the ARMC's activities;

- number of ARMC meetings held in that year; and

- the attendance of individual directors at such meetings.

The ARMC has the authority to conduct or authorise investigations into any matter within its terms of reference, full access to and cooperation of the Management, and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its function properly. Management is invited to attend all meetings of the ARMC.

The ARMC also conducted a review of the Group's interested person transactions.

REPORT ON CORPORATE GOVERNANCE

In performing its functions, the ARMC and the Audit Committee of the Group's significant subsidiary, Taiga met with its external auditors and the internal auditors, where applicable, at least annually, each without the presence of Management. The external auditor has unrestricted access to the ARMC. Reasonable resources were made available to the ARMC to enable it to discharge its functions properly.

The external auditors periodically provide briefings to members of the ARMC in relation to updates on changes in accounting standards and treatment, and their corresponding impact on financial statements, if any.

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "**Independent Auditor's Report**" which is found in this Annual Report. During the year under review, the remuneration paid or payable to the Company's external auditors, Moore Stephens LLP ("**Moore Stephens**") (including as auditor of subsidiary corporations by the network of member firms of Moore Global), is set out below.

Service Category	**Fees Paid/Payable (S$'000)**
Audit Service	553
Non-Audit Service	104
Total Fees	657

The ARMC, having reviewed all non-audit services provided by the external auditors of the Company, Moore Stephens, is satisfied that the nature and extent of such services would not prejudice the independence and objectivity of the external auditors and recommends to the Board, the nomination of the external auditors for re-appointment.

The external auditor of UPP Pulp & Paper (M) Sdn Bhd, a subsidiary of the Company, is Deloitte PLT, Malaysia ("**Deloitte Malaysia**"). During the year under review, the remuneration paid or payable to Deloitte Malaysia is set out below.

Service Category	**Fees Paid/Payable (S$'000)**
Audit Service	28
Non-Audit Service	–
Total Fees	28

The Company's external auditors, Moore Stephens, is an accounting firm registered with the Accounting and Corporate Regulatory Authority ("**ACRA**") and approved under the Accountants Act. Taking into account the Audit Quality Indicators Disclosure Framework issued by ACRA and Moore Stephens' other auditing engagements, the size and complexity of the Group and the number and experience of supervisory and professional staff assigned to the audit, the Board and the ARMC is satisfied that Moore Stephens and the audit engagement partner assigned to the audit have adequate resources and experience to meet its audit obligations and the appointments of different auditing firms for its subsidiaries have not compromised the standard and effectiveness of the audit of the Group and the Company. In this connection, the Company confirms that it is in compliance with Rules 712 and 715 of the Listing Manual.

The ARMC does not comprise former partners or directors of the Group's auditing firm.

REPORT ON CORPORATE GOVERNANCE

The Group has adopted a Code of Business Conduct to regulate the standards of ethical conduct of the Group, which provides that its directors, officers and employees are required to observe and maintain high standards of integrity in compliance with the law, regulations and Group policies.

The Group has introduced a whistle-blowing framework, where employees of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting and other matters to the ARMC. The ARMC has ensured that arrangements are in place for concerns to be raised and independently investigated, and for appropriate follow-up action to be taken. The Group commits to ensure protection of the whistleblower against detrimental or unfair treatment. Details of the whistle-blowing policies and arrangement were made available to all employees. The Group's whistle-blowing policy can be retrieved from its website. The Group seeks to continuously improve on and increase the effectiveness of its whistle-blowing measures. As at the date of this report, there was no whistle-blowing report received.

The Group recognises the importance of the internal audit function as an integral part of an effective system of good corporate governance. The Group has established and maintains on an ongoing basis, an effective internal audit function that is adequately resourced and independent of the activities it audits. The internal audit function is independent of Management. The internal auditor has a direct and primary reporting line to the Chairman of the ARMC, with administrative reporting to the CEO/Executive Director.

The internal audit function assists the ARMC and the Board in monitoring risks and internal controls of the Group. The internal audit function is carried out by persons with the relevant qualifications and experience, is adequately resourced and has appropriate standing within the Company. The internal audit schedules and scope of internal audit work each year are determined in consultation with, but independent of, Management and are submitted to the ARMC for approval.

Where outsourced internal audit services are required to supplement the internal audit work for the financial year, the appointment of the internal audit firm to perform such services is approved by the ARMC. For FY2023, no internal audit firm was appointed by the Group to perform internal audit services. The internal audit function of the Company's significant subsidiary corporation, Taiga, is undertaken by the Internal Audit department, headed by the Manager of Internal Audit & Process Control. The head of internal Audit at Taiga graduated with a Bachelor of Business Administration degree from the University of the Fraser Valley in June 2009 and is a Chartered Accountant and a Chartered Professional Accountant. He joined Taiga in late 2019, in the current role. He has 14 years of experience as an auditor and internal auditor, having worked at companies such as PricewaterhouseCoopers and Paper Excellence/Catalyst Paper before joining Taiga. The internal audit charter ensures the internal audit department has full access to all documents, records, properties and personnel of the Group, including the ARMC, and has appropriate standing within the Group.

The Group's internal auditors for FY2023 are guided by the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors in carrying out their internal audit.

The ARMC reviews the adequacy and effectiveness of the internal audit function of the Company at least annually during a meeting of the ARMC. For FY2023, the ARMC is of the view that the internal audit function is independent, effective and adequately resourced.

REPORT ON CORPORATE GOVERNANCE

SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11: Shareholder Rights and Conduct of General Meetings
Principle 12: Engagement with Shareholders

The Group is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the share price or value.

Annual general meeting is the principal forum for dialogue with shareholders. The Board welcomes questions and comments relating to the Group's business or performance from shareholders at annual general meetings. Shareholders are given an opportunity to air their views and direct questions to the Board on matters affecting the Group. The Chairman of the Board and the respective Chairman of the ARMC, NC and RC, all other directors, Management and representatives of the external audit firm are normally present at the annual general meeting to address questions from shareholders. Details of the directors' attendance at general meetings held during the financial year is provided on page 50 of this Annual Report.

The Company tables separate resolutions at general meetings on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the Company explains the reasons and material implications in the notice of meeting. Shareholders will be informed of the procedures, including voting procedures that govern general meetings of shareholders. All resolutions are put to vote by poll and where a resolution has been put to vote, the Company will make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages.

The Constitution currently does not allow a shareholder to vote in absentia at general meetings, except through the appointment of a proxy, attorney or in the case of a corporation, a corporate representative to cast their vote in their stead. Minutes of general meetings are prepared and available to shareholders upon their request in accordance with applicable laws.

The Company also encourages active shareholder participation at its general meetings. Notices of meetings are published at the URLs *https://www.sgx.com/securities/company-announcements* and *http://www.avarga.com.sg/investor-relations/sgx-announcements/* together with explanatory notes or a circular on items of special business, at least fourteen (14) clear days before the meeting. Reports or circulars of the general meetings are despatched to all shareholders by electronic transmission in accordance with the Companies Act, the Listing Manual, and the Constitution.

REPORT ON CORPORATE GOVERNANCE

The Board is aware of its obligations to shareholders and has devised investor relations policies to provide regular, effective and fair communication and convey pertinent information to shareholders. In line with continuous disclosure obligations of the Company pursuant to the Listing Manual, the Board's policy is that all shareholders should be equally and timely informed of all major developments and events that impact the Group. Information/annual reports/circulars/notices of general meeting are communicated to shareholders through public announcements via SGXNET and/or news release where appropriate. The Group does not practice selective disclosure of material information. Material information is excluded from briefings with investors or analysts, unless it has been publicly released via SGXNET before, or concurrently with, such meetings. Where there is inadvertent disclosure made to a selected group, the Group makes the same disclosure publicly to all others as soon as practicable.

The Company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communications with shareholders. The investor relations policy also explains that shareholders with questions may contact the Investor Relation Officer by email to *admin@avarga.com.sg*. Through that contact, the Company may respond to such questions.

The Company did not declare or paid dividend for FY2023, 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.

MANAGING STAKEHOLDERS RELATIONSHIPS

Principle 13: Engagement with Stakeholders

The Board adopts a balanced approach towards the needs and interests of key stakeholders, taking into account the best interests of the Company.

To facilitate the exercise of shareholders' rights, the Company ensures that all material information relating to the Company and its financial performance is disclosed in an accurate and timely manner via SGXNET. Shareholders are also informed of rules, including voting procedures that govern the general meeting. The Company maintains a current corporate website, *http://www.avarga.com.sg/* to communicate and engage with stakeholders.

The Annual Reports sets out the Group's strategy and key areas of focus in managing stakeholder relationships.

REPORT ON CORPORATE GOVERNANCE

CORPORATE INFORMATION AND ADDITIONAL INFORMATION REQUIRED PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF DIRECTORS SEEKING FOR RE-ELECTION

Particulars of Directors as at 1 January 2024

Name of Directors	Board Committees as Chairman or Member	Directorship: Date first appointed Date last re-elected	Board appointment	Directorship in other listed companies in Singapore (present)	Directorship in other listed companies in Singapore (held over preceding 3 years)
Mr. Tong Kooi Ong	–	15 March 2012 28 April 2023	Executive Chairman	–	3Cnergy Limited
Mr. Tong Ian	–	7 March 2017 28 April 2023	Chief Executive Officer/Executive Director	–	–
Ms. Lai Ven Li	Chairman: ARMC Member: NC	1 January 2024	Lead Independent Director	–	3Cnergy Limited
Ms. Chan Lay Hoon	Member: ARMC and RC	8 March 2019 23 April 2021	Non-Independent, Non-Executive Director	–	–
Mr. Moey Weng Foong	Chairman: RC Member: ARMC	27 June 2020 23 April 2021	Independent Director	–	–
Mr. Andrew Lim Cheong Seng	Chairman: NC Member: ARMC and RC	1 January 2023 28 April 2023	Independent Director	–	–
Mr. Kevin Kang Kah Wee	Member: ARMC and NC	1 January 2024	Independent Director	–	–

REPORT ON CORPORATE GOVERNANCE

Directors standing for re-election at the AGM

The following information relating to Mr. Moey Weng Foong, Ms. Lai Ven Li and Mr. Kevin Kang Kah Wee, each of whom is standing for re-election as a director in accordance with the Constitution, is provided pursuant to Rule 720(6) of the Listing Manual.

Name of Director	Mr. Moey Weng Foong	Ms. Lai Ven Li	Mr. Kevin Kang Kah Wee
Date of Appointment	27 June 2020	1 January 2024	1 January 2024
Date of last re-appointment (if applicable)	23 April 2021	–	–
Age	50	50	51
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The NC noted that in accordance with the Constitution, Mr. Moey Weng Foong shall be required to retire at this Annual General Meeting. Mr. Moey Weng Foong agreed to retire and stand for re-election. The NC approved the re-election and re-nomination of Mr. Moey Weng Foong as Chairman or RC and member of ARMC.	The Board has considered the NC's recommendation and assessment of Ms. Lai Ven Li's qualification, expertise, and experience, and is satisfied that her re-appointment as an independent director, Chairman of ARMC and member of NC will be beneficial to the Board and to the Company.	The Board has considered the NC's recommendation and assessment of Mr. Kevin Kang Kah Wee's qualification, expertise, and experience, and is satisfied that his reappointment as an independent director, member of ARMC and NC will be beneficial to the Board and to the Company.
Whether the appointment is executive, and if so, the area of responsibility	Non-Executive, Independent Director	Non-Executive, Independent Director	Non-Executive, Independent Director
Job Title	Independent Director, Chairman of RC and Member of ARMC	Independent Director, Chairman of ARMC and Member NC	Independent Director, Member of ARMC and NC

REPORT ON CORPORATE GOVERNANCE

Name of Director	Mr. Moey Weng Foong	Ms. Lai Ven Li	Mr. Kevin Kang Kah Wee
Professional qualifications	Bachelor of Arts in Economics and Philosophy from the University of Singapore	Bachelor of Commerce Majoring in Accounting & Finance from University of Western Australia CPA Australia	Bachelor of Commerce from University of Melbourne, Australia Master of Business Administration (MBA) from Melbourne Business School, Australia Member of the Institute of Chartered Accountants (Australia)
Working experience and occupation(s) during the past 10 years	Please refer to the "**Board of Directors**" section of this Annual Report	Please refer to the "**Board of Directors**" section of this Annual Report	Please refer to the "**Board of Directors**" section of this Annual Report
Shareholding interest in the listed issuer and its subsidiaries	Yes Please refer to the "**Directors' Statement**" section of this Annual Report	No	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries	No	No	No
Conflict of interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes	Yes

REPORT ON CORPORATE GOVERNANCE

Name of Director	Mr. Moey Weng Foong	Ms. Lai Ven Li	Mr. Kevin Kang Kah Wee
Other Principal Commitments including Directorships – Past (for the last 5 years) and Present	**Past directorships:** 1. GBS Partners Limited 2. GMCM Asia Alpha Fund 3. GMCM Real Estate Fund I Pte. Ltd 4. Oasis Mind Limited 5. GMCM Global Opportunity Equity Fund 6. GMCM VCP I Pte. Ltd **Present directorships:** 1. GM Capital Management Pte. Ltd. 2. GMCM Ventures Pte. Ltd.	**Past directorships:** 1. 3Cnergy Limited **Present directorships:** 1. Bluechip Capital Pte. Ltd.	**Present directorships:** 1. HThree Capital Pte. Ltd. 2. HThree City Australia Pte. Ltd. 3. Holland Hill Holdings Private Limited 4. HThree City ACF3 GP Pte. Ltd. 5. HThree City ACF3 MSPV Pte. Ltd. 6. HThree City Jade Pte. Ltd. 7. HThree ACF3 Head Pty Ltd 8. HThree ACF3 Sub Pty Ltd
Disclosure on the following matters concerning the Director:			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No

REPORT ON CORPORATE GOVERNANCE

Name of Director	Mr. Moey Weng Foong	Ms. Lai Ven Li	Mr. Kevin Kang Kah Wee
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No

REPORT ON CORPORATE GOVERNANCE

Name of Director	Mr. Moey Weng Foong	Ms. Lai Ven Li	Mr. Kevin Kang Kah Wee
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No

REPORT ON CORPORATE GOVERNANCE

Name of Director	Mr. Moey Weng Foong	Ms. Lai Ven Li	Mr. Kevin Kang Kah Wee
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No

REPORT ON CORPORATE GOVERNANCE

Name of Director	Mr. Moey Weng Foong	Ms. Lai Ven Li	Mr. Kevin Kang Kah Wee
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No

REPORT ON CORPORATE GOVERNANCE

Name of Director	Mr. Moey Weng Foong	Ms. Lai Ven Li	Mr. Kevin Kang Kah Wee
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No	No

REPORT ON CORPORATE GOVERNANCE

Name of Director	Mr. Moey Weng Foong	Ms. Lai Ven Li	Mr. Kevin Kang Kah Wee
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?			
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No
(Applicable to appointment of director only) Any prior experience as a Director of an issuer listed on the Exchange?	Not applicable	Not applicable	Not applicable

The information on each director's academic and professional qualifications, working experience, shareholdings, directorship and other principal commitments is presented in the "**Board of Directors**" and "**Directors' Statement**" sections of this Annual Report.

REPORT ON CORPORATE GOVERNANCE

Attendance at Board, Board Committees and General Meetings during the financial year ended 31 December 2023

	Board		ARMC		NC		RC		AGM	
Directors	No. of Meetings held	Attendance	No. of Meetings held	Attendance	No. of Meetings held	Attendance	No. of Meetings held	Attendance	No. of Meetings held	Attendance
Mr. Tong Kooi Ong	2	2	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	1	1
Mr. Tong Ian	2	2	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	1	1
Mr. Gary Ho Kuat Foong (ceased as director on 1 January 2024)	2	2	2	2	1	1	N.A.	N.A.	1	1
Ms. Ng Shin Ein (ceased as director on 1 January 2024)	2	2	2	2	1	1	1	1	1	0
Ms. Chan Lay Hoon	2	1	2	1	N.A.	N.A.	1	0	1	1
Mr. Moey Weng Foong	2	1	2	2	N.A.	N.A.	N.A.	N.A.	1	1
Mr. Andrew Lim Cheong Seng	2	2	2	2	1	1	1	1	1	1

DEALING IN SECURITIES

In line with Rule 1207(19) of the Listing Manual, the Group has issued a policy on share dealings by the Company and the directors and key officers of the Group, setting out the implications of insider trading and recommendations of the best practices set out in Rule 1207(19) of the Listing Manual. The Group adopts a code of conduct to provide guidance to its directors and officers with regard to dealing by the Company and its directors and officers in the Company's shares, which includes an annual declaration by the Company's directors and officers with regard to securities trading and disclosure by the Company's directors and officers when they deal in the Company's shares. In addition, the policy also states that an officer should not deal in the Company's securities on short-term considerations.

The Group also issues periodic circulars to its directors, officers and employees reminding them that there must be no dealings in the Company's shares during the period commencing one (1) month before the announcement of the Group's half yearly and full year financial results, as the case may be, and if they are in possession of unpublished material and price-sensitive information.

The Company has complied with Rule 1207(19) of the Listing Manual.

INTERESTED PERSON TRANSACTIONS POLICY

The Company has adopted an internal policy in respect of any transaction with interested persons and has set out the procedures for review and approval of the Company's interested person transactions.

The Group has not obtained a general mandate from shareholders for interested person transactions.

Particulars of the interested person transaction(s) for the FY2023, disclosed in accordance with Rule 907 of the Listing Manual were set out below:

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Nil	Nil	Nil	Nil

UPDATE ON USE OF PROCEEDS

Bonus Share Warrants

As announced on 13 February 2017, the Company issued and allotted 836,667,121 free bonus warrants to shareholders on the basis of one (1) warrant for every one (1) existing ordinary share pursuant to a bonus warrants issue approved at the extraordinary general meeting held on 31 January 2017. The bonus warrants carried the right to subscribe for one (1) new share at the exercise price of S$0.37 for each new share and were listed and quoted on the SGX-ST on 16 February 2017.

As announced on 5 October 2016, the bonus warrants were issued in registered form and constituted by a deed poll setting out the terms and conditions of the Warrants (the "**Deed Poll**"). Each bonus warrant, subject to the terms and conditions in the Deed Poll, carry the right to subscribe for one (1) new share at the exercise price during the period commencing on and including the date six (6) months from the date of listing of the bonus warrants on the Official List of Singapore Exchange Securities Trading Limited and expiring at 5.00 p.m. on the market day immediately preceding the third (3rd) anniversary of the date of issue of the bonus warrants, unless such date is a date on which the register of members of the Company is closed or is not a market day, in which event the bonus warrants shall expire on the date prior to the closure of the register of members of the Company or on the immediately preceding market day, as the case may be (the "**Exercise Period**").

REPORT ON CORPORATE GOVERNANCE

On 12 February 2020, the outstanding bonus warrants of 836,627,900 had expired.

As at 13 February 2020, the Company has issued 39,221 ordinary shares arising from the exercise of bonus warrants at S$0.37 per share.

The total proceeds received by the Company is approximately $15,000.

The Board will continue to make periodic announcements on the utilisation of the proceeds arising from the exercise of warrants until the whole of the proceeds has been fully disbursed.

CORPORATE SOCIAL RESPONSIBILITY

We are committed to positively impacting those around us and contributing to the broader communities in which we operate, and society as a whole.

The Group's Corporate Social Responsibility ("**CSR**") efforts are largely focused on Myanmar, where we see room to help improve living and education standards. Over the past few years, we have helped two schools in Myanmar, with a primary focus on a government primary school near our power plant, No. 16 Basic Education Primary School, Insein township, which is home to over 800 students.

We started our CSR activities in the school in Yangon, in 2015 by replacing two-thirds of its old furniture with new desks and chairs to accommodate some 200 pupils per session. In 2016, we took a major step further to improve conditions for the school. We spent US$50,000 to construct a new 900 sq ft air-conditioned multi-media hall, and equipped it with 31 sets of new computers, accessories, desks and chairs. We hope to equip the pupils with better computer and literacy skills, and a bigger desire to learn.

The multi-media hall has become the pride of the school and the community. With this, the school also has one of the most advanced facilities among government primary schools, despite being located in one of the economically poorer townships in Yangon.

In 2017, we identified another government school that was in need of funds for repair, No. 149 Basic Education Post-Primary School in Kanyatgyi Village, Kanma Township, Magway Region, located some 400 miles from Yangon. In 2018, we completed the construction of a new 2,700 sq ft school building and donated a set of uniforms, books and a school bag for each of the school's 203 students.

In 2018 and 2019, we focused our CSR efforts back on the school in Insein, Yangon. In 2018, we constructed a school hall and meal area measuring 1,800 sq ft for the school. We also donated a set of uniforms, books and a school bag for each of the school's 830 students. We constructed a new 605 ft length perimeter concrete wall and contributed towards the establishment and furnishing of a library in the school in 2019. That same year, we donated school uniforms and books to all 887 students of the school for the 2019 to 2020 academic year. Having made substantial improvements to the school's infrastructure and facilities over the years, it did not need further funding in 2020-2021.

REPORT ON CORPORATE GOVERNANCE

With the Covid-19 pandemic, we shifted much of our group CSR efforts to focus on combating the spread of the virus in 2020-21, supporting our dedicated frontline healthcare workers and helping the affected communities in areas where we operate in.

In Myanmar, we repaired an overhead water tank that was supplying water to the housing area near our power plant. We contributed 48 million kyat (or US$37,200) in 2020 to repair the tank with capacity of over 50,000 gallons and weighing over 200 tonnes.

In 2021, we donated 2 units of oxygen concentrators to Electric Power Generation Enterprise (EPGE) for the use of residents in Insein township. We also put in an additional new container home at the power plant for the plant operators, to minimise travelling. In 2022, we donated about US$4,000 to support festival and other community activities for the communities surrounding our power plant.

As the Covid-19 pandemic ebbed, our focus returned to educational initiatives. In 2023, we spent about US$14,000 for various CSR initiatives in Myanmar. Of this amount, about US$5,000 was spent on providing educational supplies, such as books, school bags and school uniforms, which we donated to 145 students living in our nearby community.

We also donated about US$5,000 to help victims of Cyclone Mocha, which adversely affected parts of Myanmar in May 2023. Our donation was made through the National Disaster Management Fund, established by the Department of Disaster Management, Yangon Region.

In Malaysia, UPP Pulp & Paper (M) Sdn Bhd contributed towards The Edge Covid-19 Equipment Fund in 2020. The fund aimed to raise donations from the corporate sector to buy medical equipment such as ventilators, protective suits and masks, to assist Malaysia's medical facilities and healthcare workers. We were one of the first donors to the fund, which has since gone a long way in procuring medical equipment for government hospitals and healthcare staff in the critical early stages of the pandemic, when the healthcare system was under severe strain and medical supplies were limited.

We have also donated RM60,000 over 2020-2021 to Persatuan Kebajikan Amal Da Ai Malaysia, a non-profit charitable childcare centre looking after mentally and physically handicapped children.

In 2022-2023, due to the large losses incurred by UPP Pulp and Paper (M) Sdn Bhd, we did not undertake significant CSR activities in Malaysia, as we focused instead on restructuring our business.

In Singapore, we have pledged to donate a total of S$250,000 from 2018-2022, comprising annual donations of S$50,000 per year over 5 years, to the Singapore National Gallery to support and promote Singapore's arts and cultural heritage.

REPORT ON CORPORATE GOVERNANCE

In Canada, Taiga Building Products created the Taiga Community Fund to support customers and organisations in need through difficult times. The fund has made donations to recipients in every province in Canada, including Abbotsford Food Bank, Kelowna's Women's Shelter and Coast Mental Health in British Columbia, the Arthouse for Children and Youth and Children's Aid Foundation of Halton in Ontario; and the Big Brothers Big Sisters Foundations in both Nova Scotia and Prince Edward Island. We also provide scholarships to the children of our employees.

Taiga Building Products had made some significant donations in 2022 to various projects and initiatives in its communities, including C$30,000 to the Canadian Red Cross in support of the Hurricane Fiona recovery efforts in the Atlantic Region, C$10,000 to the Vancouver General Hospital Foundation, C$10,000 to the BC Children's Hospital Oncology, and C$8,000 to the Blind Beginnings Gala, a local charity for blind youth.

In 2023, donations totaling over C$114,000 were contributed by Taiga Building Products in Canada alone, with significant support directed towards various community projects and initiatives. Among these contributions were C$20,000 directed to the Canadian Red Cross for aiding wildfire relief efforts in Alberta, C$10,000 each to the Red Cross and the Fondation Charles-Bruneau, which focuses on providing care for children with cancer in Quebec.

We also made a substantial donation of C$52,808 to Habitat for Humanity Halton-Mississauga. This non-profit organization collaborates with communities to construct homes for local families in need of affordable housing.

In the US, Taiga Building Products contributed a total of US$14,000 in various donations. This included US$4,000 directed towards the Panther Foundation, and US$2,500 allocated to the Boys & Girls Clubs of Southwest Washington.

SUSTAINABILITY REPORT

THE BOARD'S STATEMENT

Dear Stakeholders,

We are pleased to present the seventh annual sustainability report (the "**Report**") for Avarga Limited ("**Avarga**" and together with its subsidiaries, the "**Group**").

With operations spanning diverse global locations and involvement in various industries such as building materials, paper manufacturing, and power generation, the Group's sustainability impacts are extensive and expansive. Recognising the imperative of effectively integrating sustainability for the enduring resilience and success of the Group, this Report aims to offer a comprehensive overview of our Environmental, Social, and Governance ("**ESG**") performance and advancements throughout the past financial year.

Amidst a turbulent economic landscape, the revenue of our building products segment experienced a notable impact due to the downward trend in commodity prices. As the prices of key raw materials, such as steel, lumber, and cement, declined, our company encountered a reduction in the overall selling prices of our products. As we navigate among these market conditions, our focus remains on implementing strategic cost management initiatives and enhancing operational efficiencies to mitigate the impact of fluctuating commodity prices on our revenue performance.

The Board of Directors (the "**Board**") holds overall responsibility for the Group's sustainability and climate-related matters, and places great emphasis on incorporating sustainability considerations into Avarga's business strategy and operations. The identification of material ESG factors, along with their management and monitoring, falls under the purview of the Board. Additionally, the Board conducts an annual assessment to confirm the Group's material topics. Our commitment extends to fulfilling obligations to shareholders, customers, suppliers, partners, employees, and the communities in which we operate. For more detailed information, refer to the Sustainability Governance Structure section in this Report.

We extend our sincere gratitude to our shareholders, employees, business associates, and all other stakeholders for their unwavering support in our ongoing commitment to sustainability. Working together, we can make substantial positive impacts towards sustainable development.

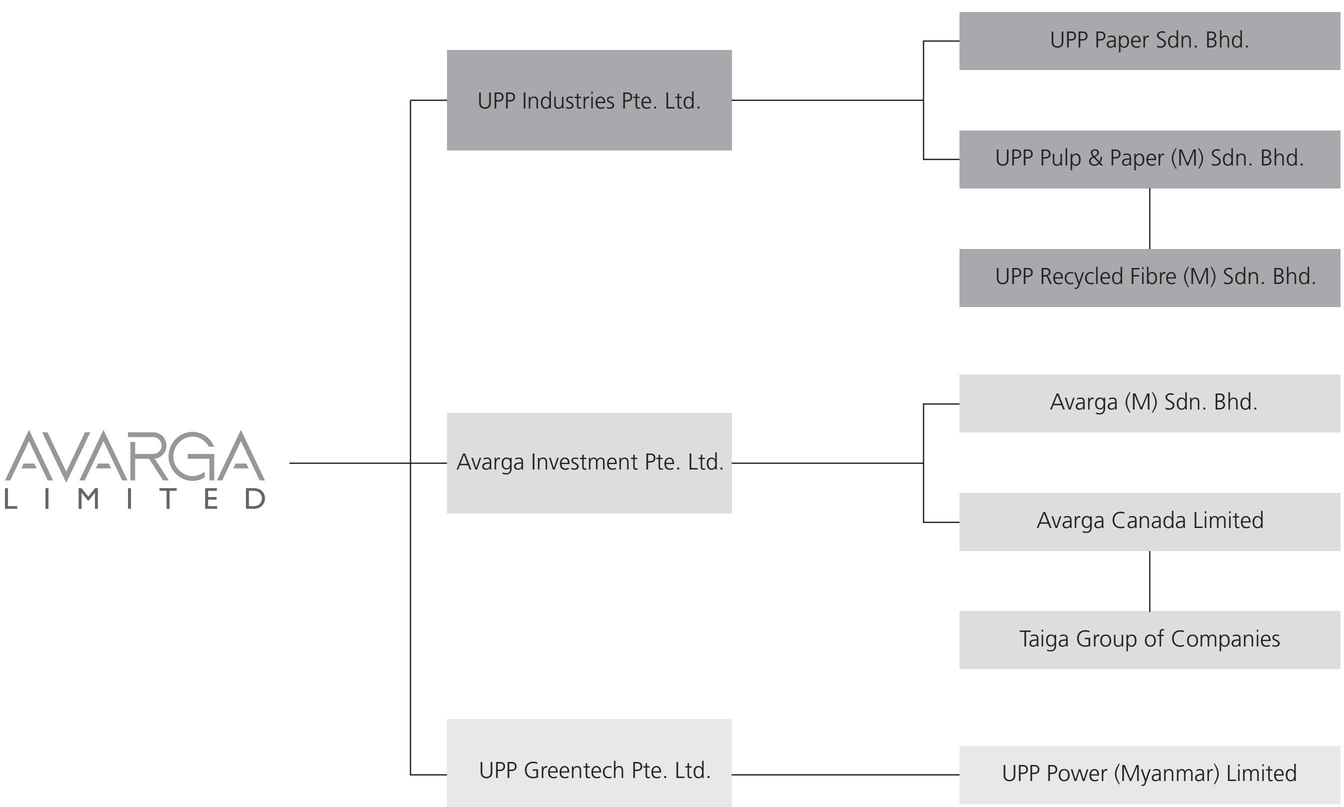
Sincerely,
The Board of Directors

SUSTAINABILITY REPORT

ABOUT THE REPORT

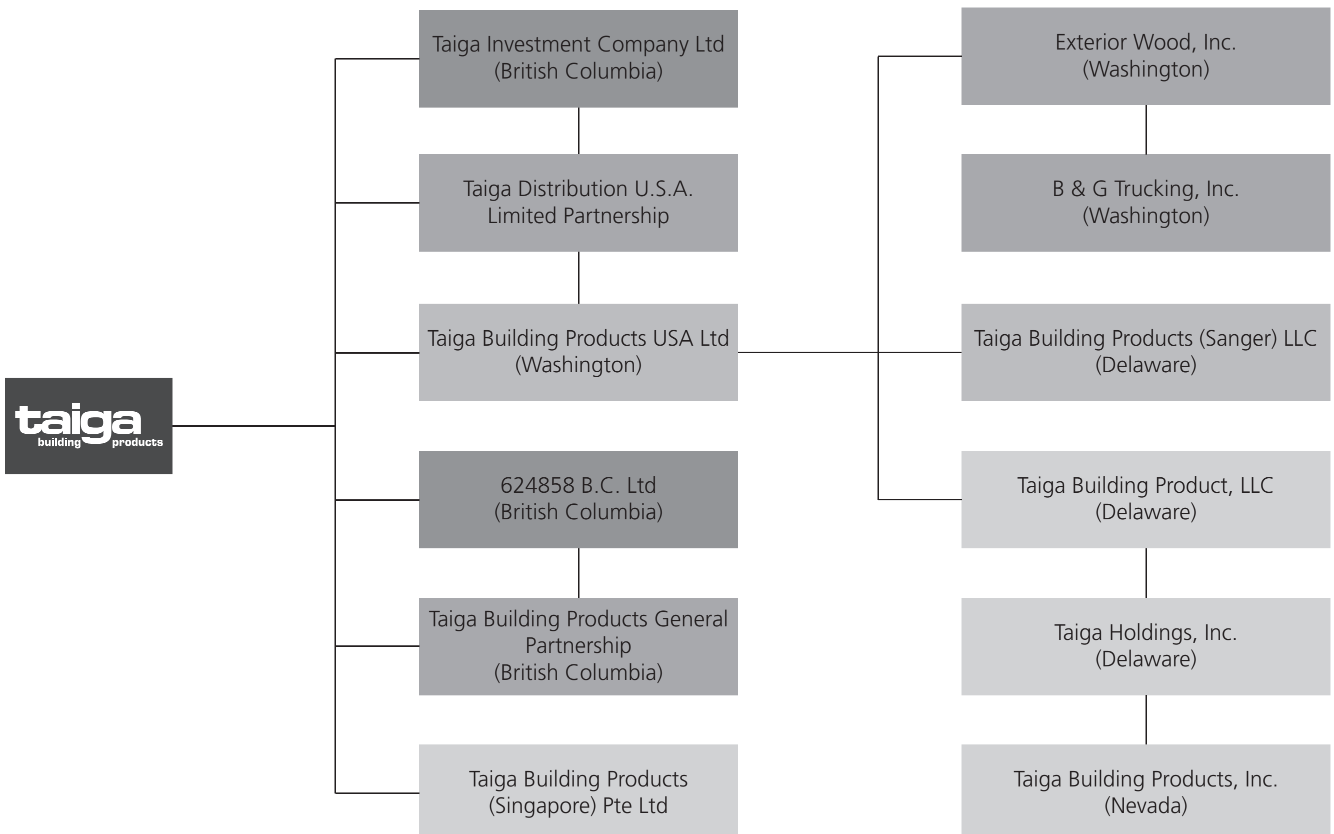
Reporting Period and Scope

This Report provides a comprehensive overview of the Group's ESG policies, practices, and performance during the reporting period from 1 January 2023 to 31 December 2023 ("**FY2023**"). The Report's coverage extends to all subsidiaries listed in our Group structure as of 31 December 2023 below. Headquartered in Singapore, our operational locations include Malaysia, Myanmar, Canada, and the United States.



SUSTAINABILITY REPORT

The Taiga Group of Companies consist of the following entities:



Reporting Framework

This Report has been prepared with reference to the Global Reporting Initiative ("**GRI**") Universal Standards 2021, selected for its robust principles, detailed guidance, as the best representation of international practices for sustainability reporting. Furthermore, this Report is in compliance with the Singapore Exchange Limited ("**SGX-ST**") Listing Manual Section A: Mainboard's Rules 711A and 711B, encompassing the primary components of a sustainability report on a 'comply or explain' basis. Additionally, we plan to include and file climate reporting in line with the International Sustainability Standards Board ("**ISSB**") in sustainability report for FY2025.

SUSTAINABILITY REPORT

Data Assurance

While external assurance has not been sought, we have applied the following reporting principles to ensure the quality and proper presentation of the reported information:

Accuracy	To present accurate and sufficiently detailed information for stakeholders to better assess the Group's ESG performance
Balance	To provide a fair representation of the Group's negative and positive impacts in an unbiased manner
Clarity	To report on information in a way that is accessible and understandable
Comparability	To allow our stakeholders to assess our current impacts against our past performance as well as our goals and targets
Completeness	To include all information which is relevant to our present activities, events, and impacts within the present reporting period
Sustainability Context	To report on our impact within the wider context of sustainable development
Timeliness	To publish an annual sustainability report within four months after our financial year end
Verifiability	To gather, record, compile, and analyse information in a way that allows for internal and external assurance

Accessibility & Feedback

The sustainability report can be found in our Company's Annual Report 2023, accessible via http://www.avarga.com.sg/investor-relations/annual-reports/. We actively seek and appreciate input from our stakeholders concerning the Group's sustainability initiatives and related disclosures. Please direct your feedback and inquiries to: http://www.avarga.com.sg/contact-us/.

SUSTAINABILITY REPORT

ORGANISATIONAL PROFILE

Avarga Limited, operates as an investment holding company and has been listed on the Main Board of SGX-ST since October 15, 1980. The Group's operations revolve around three (3) key business segments:

Paper Manufacturing (Malaysia)

UPP Pulp & Paper (M) Sdn Bhd ("**UPP**") commenced its operations in Singapore in 1971 and subsequently relocated to Malaysia between 1998 and 2000. With an operational history spanning over 50 years, we have played a pivotal role in meeting Malaysia's paper packaging needs. UPP specialises in the production of 100% recycled paper, employing a process that transforms scrap paper into new paper rolls. Our quality paper is environmentally-friendly and competitively priced.

Situated in Ijok, Selangor, our paper mill operates on a 32.6-acre plant. Since 2015, our paper mill has been awarded ISO 9001:2015 certification by ISOQAR Ltd, reinforcing our steadfast commitment to quality management standards.

Power Generation (Myanmar)

UPP Power (Myanmar) Limited ("**UPP Power**") is one of Myanmar's pioneering fully foreign-owned independent power producers. In a nation with a notably low electrification rate, hovering around 50%, our power plant located in Insein township, Yangon, plays a crucial role in supplying essential electricity to approximately 70,000 households each month within the Yangon region.

Since its inauguration in February 2014, our 50MW gas-fired power plant has been in commercial operation. Under a contractual agreement spanning 30 years, UPP Power is obligated to supply a minimum of 350 million kilowatt-hours (kWh) annually to the Myanmar Government. The operations and maintenance responsibilities of the power plant are entrusted to Myan Shwe Pyi Tractors Limited.

Building Materials Distribution (Canada and USA)

Taiga Building Products Ltd ("**Taiga**"), publicly listed on the Toronto Stock Exchange, is known as Canada's main wholesale distributor of building materials, supplies and services. It operates four (4) wood preservation plants and 18 distribution centres in Canada and the USA, complemented by six (6) reload stations in the Eastern USA.

SUSTAINABILITY REPORT

Membership of Associations

Engaging actively in industry associations facilitates the alignment of our operational practices with industry best practices. Through the exchange of information and collaborative discussions with fellow members, we can identify and implement effective solutions to address complex challenges.

Entity	Industry Associations
UPP Pulp & Paper (M) Sdn Bhd	Malaysia Pulp and Paper Manufacturers Association Federation of Malaysia Manufacturers Forest Stewardship Council
Taiga Building Products Ltd	Western Retail Lumber Association American Wood Protection Association Canadian Wood Council

Awards and Accreditations

Awards	Description
Friend of the Arts (Organisation) issued by National Arts Council	Established in 1983, the Patron of the Arts Award celebrates and recognises organisations and individuals who have made significant contributions to the development of the arts. Through the generous contributions of patrons who have provided financial support, resources, skills, and time, Singapore's arts scene has grown and flourished over the years.
Securities Investors Association Singapore ("SIAS") Investors' Choice Awards 2023	The Singapore Corporate Governance Award 2023 recognises the Group's outstanding efforts in corporate governance and sustainability practices.

SUSTAINABILITY REPORT

SUPPLY CHAIN MANAGEMENT

The Group consistently explores sustainable and efficient resource management, supply chain, and logistics strategies. Cultivating strong relationships with suppliers is integral to minimising potential disruptions, enabling us to deliver quality products and services consistently and timely to our customers.

The Group is dedicated to procuring exclusively from ethical, responsible, and cost-effective suppliers. To ensure alignment with Avarga's specific requirements across our business units, we meticulously exercise due care and diligence in the identification and selection of potential suppliers. Subsequently, we rigorously evaluate their performance to uphold our sourcing standards. Further relevant details for each of our core businesses are elaborated below.

Paper Manufacturing (Malaysia)

UPP engages in the procurement of quality scrap paper with minimal impurities from raw material suppliers and acquires machinery parts for our paper mill in Malaysia. In order to sustain competitiveness within the industry, we systematically conduct routine performance reviews on our suppliers, closely monitoring their service delivery and product quality.

Power Generation (Myanmar)

UPP Power utilises highly energy-efficient power generators for its Myanmar-based power plant. Our primary supplier of these generators is Myan Shwe Pyi Tractors Limited., a key partner responsible for delivering operational and maintenance services to the company.

Building Materials Distribution (Canada and USA)

Taiga cultivates an expansive network of suppliers, fostering robust and enduring relationships that matches with the scale of our operations. Beyond the advantage of minimising distribution costs through bulk shipments, Taiga's distribution networks afford our suppliers access to a broad and diverse market with reduced risk. Furthermore, Taiga is committed to offering a high level of marketing and product support to its suppliers.

SUSTAINABILITY REPORT

SUSTAINABILITY GOVERNANCE

The Group acknowledges that robust sustainability governance is crucial for the successful implementation of sustainable practices across our business. The Board holds the responsibility for supervising the Group's sustainability strategy and performance. It will also conduct regular reviews and approvals for the Group's sustainability goals, targets, and initiatives. The Board consists of seven (7) members, out of which four (4) are independent directors, five (5) are non-executive directors and two (2) are female directors.

Name	Designation	Date of Appointment
Tong Kooi Ong	Executive Chairman	15 March 2012
Tong Ian	Chief Executive Officer and Executive Director	7 March 2017
Lai Ven Li	Lead Independent Director	1 January 2024
Chan Lay Hoon	Non-Executive, Non-Independent Director	8 March 2019
Gabriel Moey Weng Foong	Independent Director	27 June 2020
Andrew Lim Cheong Seng	Independent Director	1 January 2023
Kevin Kang Kah Wee	Independent Director	1 January 2024

The senior management team of the Group is actively engaged in continuous monitoring and effective management of sustainability risks and opportunities.

Detailed information regarding our nomination and selection process, as well as our remuneration policies, is available in the "**Report on Corporate Governance**" section located on pages 16 to 54 of the Annual Report.

SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENT

Proactive involvement with our stakeholders is crucial for the success of our sustainability plans and initiatives. Regular communication with both internal and external stakeholders has provided valuable insights into their expectations and concerns. The invaluable feedback obtained in this process plays a significant role in shaping our sustainability strategy and decision-making. The table below summarises our engagement approach and how the Group attends to the key concerns for each key stakeholder group.

Stakeholder Groups	Engagement Platforms	Frequency	Responses to key concerns
Customers	We maintain a customer helpdesk and host customer feedback sessions to address their queries and concerns.	Ongoing/Ad-hoc	We aim to provide customers with a pleasant and efficient customer support experience.
Suppliers	We discuss and work on current and new business dealings with our suppliers during internal meetings.	Ad-hoc	We aim to establish consistent and reliable communication with our suppliers.
Employees	We engage our employees through orientation programmes, employee surveys and staff appraisals.	Annually/Ad-hoc	We aim to constantly improve staff welfare and create a positive working environment.
Investors	We communicate with our investors during our annual general meetings, and through the release of our annual report and half-yearly financial statements.	Annually/Ad-hoc	We aim to provide our investors with transparent insights into our business prospects and ESG performance.
Government and Regulators	We maintain a good working relationship with the local authorities and regulators by providing timely updates, submitting periodic reports, and filing our taxes.	Annually/ Semi-Annually/ Quarterly	We aim to maintain full compliance with all laws and regulations, with timely reporting and resolution of issues as they arise.

SUSTAINABILITY REPORT

MATERIAL TOPICS

We conducted a materiality re-assessment in FY2022, involving a thorough analysis of the Group's sustainability risks and opportunities, considering our business model, strategy, and the expectations and priorities of our stakeholders. This comprehensive process led to the identification of a total of seven (7) material ESG topics for disclosure, as described in the table below.

In FY2023, the Group conducted a review of the existing list of material topics and determined their continued relevance for this year. No new topics were added. Additionally, the Board validated the ongoing relevance and significance of these material topics to our core businesses.

Material Topics	Their Relevance and Impacts	Targets
Economic Performance	Avarga's economic performance has a direct impact on the employees, shareholders, suppliers, community partners and the local authorities who look to the economic value generated and distributed by the Group for support.	• Increase revenue growth and generate a net profit • Achieve long-term capital growth by identifying investments opportunities and encouraging product innovation
Employment	Our employees are our most valued asset. By engaging in fair employment practices and maintaining a healthy organisational culture, we are able to attract and retain the right talent, which is key to ensuring the long-term growth of the Group.	• To maintain or improve the employee turnover rate in FY2024 • To continue to ensure a stringent hiring process, while committing to fair employment practices and offering equal opportunities to all potential candidates
Training and Education	Amidst an ever-changing work environment, it is important for us to provide our employees with continual training and learning opportunities, to equip them with the necessary skills and knowledge to perform their duties and bolster their productivity.	• Ensure that training programmes are made available and accessible for our employees • Continuously improve the quality of our training courses for employees to perform their duties effectively
Occupational Health and Safety	Occupational health and safety ("**OHS**") is a common but important concern in our industry. Our employees work in an environment that inherently possesses significant health and safety hazards. Their protection and well-being are of paramount importance to the Group.	• Conduct refresher courses to remind employees to abide by safety guidelines at work • Reduce workplace injuries and ensure a safe working environment for all employees

MATERIAL TOPICS (CONTINUED)

Material Topics	Their Relevance and Impacts	Targets
Anti-Corruption	To protect the interests of our stakeholders and prevent reputational damage to the Group, we have adopted a zero-tolerance policy for bribery, unethical and corrupt practices.	• Maintain zero incidents of corruption • To foster an environment that encourages honesty, integrity, and ethical practices
Regulatory Compliance	In addition to being a fundamental component of corporate governance, ensuring regulatory compliance is the baseline for meeting our stakeholders' expectations and maintaining our license to operate.	• Monitor legal and regulatory updates • Conduct compliance training for employees • Maintain zero incidents of non-compliance with all applicable laws and regulations
Environmental Stewardship	Climate change and its effects poses both risk and opportunities to our businesses, with strategic and financial implications for the Group. We believe that it is everyone's responsibility to safeguard the wellbeing of the future generation by minimising their environmental footprint.	• Responsible resource consumption, with a focus on minimising our negative impacts through prevention at source and participating in the reduce, reuse and recycle movement

SUSTAINABILITY REPORT

ECONOMIC PERFORMANCE

The direct economic value generated and distributed is on an accrual basis, including the basic components for the organisation's global operations.

The economic value generated refers to the revenue of the Group. A breakdown of the Group's economic value generated by our core business segments for FY2023 and FY2022 are as follows:

By Business Segments (S$ Million)	FY2023	FY2022
Paper Manufacturing (UPP)	22.1	35.8
Power Plant (UPP Power)	8.4	9.9
Building Products (Taiga)	1,669.5	2,322.6
Total	**1,700**	**2,368.3**

The economic value distributed refers to the operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments of the Group. A breakdown of the Group's economic value distributed for FY2023 and FY2022 are as follows:

Expenses (S$ Million)	FY2023	FY2022
Operating Costs and employee wages	1,627.4	2,240,3
Interest expense	7.0	9.2
Tax expense	11.9	33.3
Total	**1,646.3**	**2,282.8**

ECONOMIC PERFORMANCE (CONTINUED)

Taking the difference between economic value generated and distributed, the Group's economic value retained for FY2023 and FY2022 are as follows:

Economic values (S$ Million)	FY2023	FY2022
Economic Value Generated	1,700.0	2,368.3
Economic Value Distributed	(1,646.3)	(2,282.8)
Economic Value Retained	**53.7**	**85.5**

Accounting for the Group's other gains and losses, such as interest income and loss allowance, the Group's Net Profit After Tax for FY2023 and FY2022 are as follows:

Reconciliation (S$ Million)	FY2023	FY2022
Economic Value Retained	**53.7**	**85.5**
Add: Other gains/(losses)	(26.5)	(8.9)
Net Profit After Tax	**27.2**	**76.6**

SUSTAINABILITY REPORT

ECONOMIC PERFORMANCE (CONTINUED)

Taiga Building Products Ltd.

Taiga's revenue decreased by 28.1% compared to FY2022. The decline in our profit margins can be attributed predominantly to reduced commodity prices affecting the commodity products within this building products business.

Taiga's financial performance is mainly reliant on the residential construction, renovation, and repairs sectors in North America. The dynamics of these markets are responsive to the overall economic conditions, with fluctuations influenced by factors such as interest rates and other general market indicators. Nevertheless, Taiga continues to contribute more than 95% of the Group's total revenue.

UPP Pulp & Paper (M) Sdn Bhd.

Compared to FY2022, our revenue declined by 38.2% to about S$22.1 million in FY2023. Following a challenging FY2022, the business landscape for the UPP in Malaysia faced heightened difficulties in FY2023. This was due to the entry of two additional major Chinese competitors and capacity expansion by an existing prominent player from China.

Despite the challenging FY2023, our paper manufacturing business demonstrated an improved performance compared to FY2022. We executed a significant restructuring initiative, realigning our product mix, operations, and business focus while downsizing our scale of operations. Although this resulted in reduced output and sales, it also contributed to mitigating losses. UPP experienced a smaller gross loss compared to FY2022.

UPP Power (Myanmar) Limited

Compared to FY2022, our revenue declined by 15.9% to about S$8.4 million in FY2023. In FY2023, the power plant generated 241.72 million kWh of electricity, marking a 30% decrease from the 343.38 million kWh recorded in FY2022. The reduction in production was primarily attributable to gas supply issues, as the plant encountered severe disruptions caused by a shortage of gas in Myanmar.

The revenue of our power plant business in Myanmar is predominantly derived from a 30-year power purchase agreement with the Electric Power Generation Enterprise under the Ministry of Electricity and Energy in Myanmar. This agreement is scheduled to conclude in February 2044.

For full details of the Group's financial performance, please refer to page 101 to 188 in our Annual Report.

SUSTAINABILITY REPORT

EMPLOYMENT

Our employees are the most invaluable assets and key contributors to the Group's economic growth, dedicating their time and energy to the success of the Group's products and services. Moreover, employees play a crucial role in influencing the company culture through their attitudes, behaviours, and values. The fostering of a positive culture consequently enhances employee attraction, retention, and overall workplace satisfaction.

The Group has established comprehensive human resource management policies with focus on merit-based talent acquisition, development, and retention. Full-time employees benefit from competitive compensation and benefits packages, which include insurance coverage and provisions for maternity or paternity leave entitlement, as part of our commitment to equitable employment practices. These are also detailed in our employee handbook and distributed to all employees.

Dedicated to providing all employees the fair chance to demonstrate their knowledge, skills, and experience, the Group conducts performance appraisals through open and two-way communication. Our reward system encompasses transparent and risk-weighted bonus structures, coupled with pay-for-performance incentive programs. To continually foster growth and improvement, we regularly convene departmental meetings, seeking valuable feedback from employees on areas where enhancements can be made.

The Group's breakdown of our workforce by gender and geographic region as follows:

Region	FY2023			FY2022		
	Male	Female	Total	Male	Female	Total
Singapore	4	3	**7**	4	3	**7**
Malaysia	119	19	**138**	136	20	**156**
Myanmar	1	1	**2**	1	1	**2**
Canada and USA[1]		**575**			**585**	

[1] Employers in Canada are subjected to specific legislation that prohibits the disclosure of gender identity-related information. As such, Taiga will not be providing a detailed breakdown of its employees by gender, to ensure the maximum degree of privacy and confidentiality of personal information that may directly or indirectly identify a person's sex.

SUSTAINABILITY REPORT

EMPLOYMENT (CONTINUED)

All employees in Singapore, Malaysia and Myanmar are full-time, permanent employees. A detailed breakdown of the 575 individuals employed within Taiga in Canada and the USA is provided below. Additionally, in FY2023 Taiga has engaged two (2) workers who are not classified as employees.

Type of employee	FY2023	FY2022
All employees	**575**	**585**
Permanent employees	569	578
Temporary employees	6	7
Full-time employees	436	576
Part-time employees	139	9

The Group recognises the importance of providing fair parental leaves rights to all our employees across the different regions we operate. The Group complies fully with all local statutory and contractual requirements for parental leave in the regions where we operate. Due to the variation of parental leave entitlements across the regions we have operations in, we have not listed out the period of parental leave entitlement for each region in this report. The Group is committed to ensuring that all employees who have a child are awarded their rightful and correct amount of parental leave, no matter which jurisdiction they are employed in.

UPP Pulp & Paper (M) Sdn Bhd.

Performance

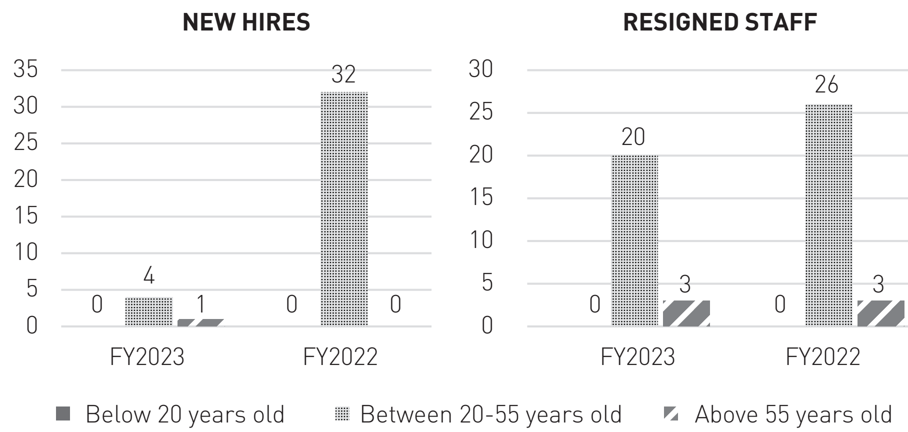
The percentage of new hires[2] has declined significantly from 20.5% in FY2022 to 3.6% in FY2023, and turnover rates[3] have also seen a decrease from 18.6% in FY2022 to 16.7% in FY2023. The reduction in the number of operational machine lines, from four (4) to two (2) during FY2022, has contributed to a higher number of staff resignations and terminations. Furthermore, in FY2023, the decrease in hiring rates can be attributed to the decision not to replace contract staff upon the expiration of their contracts.

[2] Percentage of new hires is calculated as number of new hires divided by number of employees at the end of the financial year x 100%
[3] Turnover rate is calculated as number of resigned staff divided by number of employees at the end of the financial year x 100%

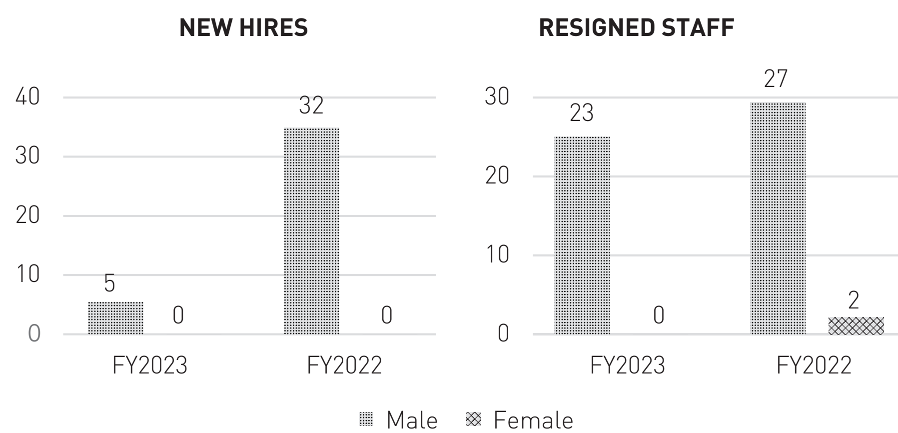
SUSTAINABILITY REPORT

EMPLOYMENT (CONTINUED)

UPP's New Employee Hires and Employee Turnover by Age Group



UPP's New Employee Hires and Employee Turnover by Gender



SUSTAINABILITY REPORT

EMPLOYMENT (CONTINUED)

Parental Leave Entitlement by Gender

UPP maintains parental leave policies covering both maternity and paternity leave. Employees utilising these benefits can be confident of returning to work in the same or a comparable position. The breakdown of UPP's utilisation of parental leave are as follows:

Parental Leave	FY2023			FY2022		
	Female	Male	Total	Female	Male	Total
Number of employees who took parental leave during the reporting period	2	4	6	2	–	2
Number of employees that returned to work in the reporting period after parental leave ended	2	4	6	1	–	1
Number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	–	–	–	1	6	7
Return to work rate[4]	100%	100%	100%	50%	N.A	50%
Retention rate[5]	0%	N.A	0%	100%	100%	100%

UPP Power (Myanmar) Limited

Performance

As the operations and maintenance of our power plant have been outsourced to Myan Shwe Pyi Tractors Limited, UPP Power currently employs only two (2) permanent staff at our Myanmar office. There was no change in number of employees compared to FY2022. Additionally, no one took parental leave in FY2023. The male employee who returned from parental leave in FY2022 remains employed to this date.

4 Return to work rate is based on "Number of employees who returned to work in the reporting period" over "Total number of employees who took parental leave during the reporting period".

5 Retention rate is based on "Number of employees who returned to work after parental leave ended that were still employed 12 months after their return to work" over total number of employees returning from parental leave in the prior reporting period.

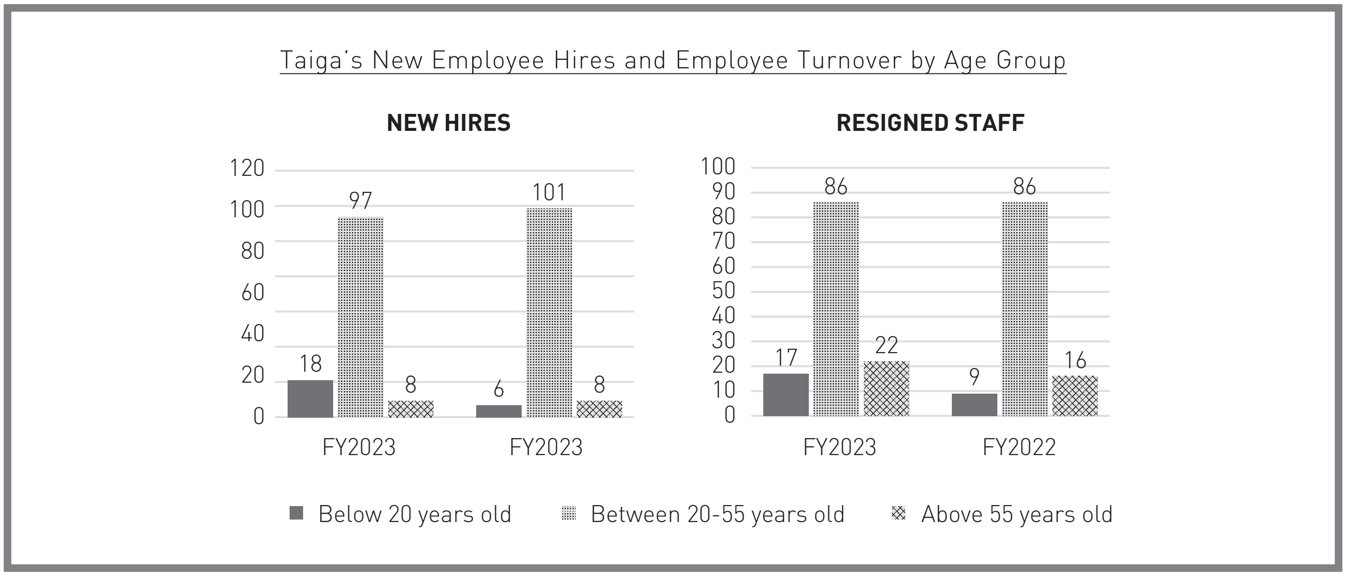
SUSTAINABILITY REPORT

EMPLOYMENT (CONTINUED)

Taiga Building Products Ltd.

Performance

During this reporting period, Taiga maintained a consistent total staff strength with no significant fluctuations. The rate of new hires for FY2023 was 21.4%, a slight increase from 19.7% in FY2022. Similarly, the turnover rate, which stood at 19.0% in FY2022, saw a slight increase to 21.7% in FY2023.



Parental Leave Entitlement by Gender

The breakdown of Taiga's utilisation of parental leave are as follows:

Parental Leave	FY2023	FY2022
Number of employees who took parental leave during the reporting period	0	4
Number of employees that returned to work in the reporting period after parental leave ended	2	2
Number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	2	1
Return to work rate	100%	50%
Retention rate	100%	100%

SUSTAINABILITY REPORT

TRAINING AND EDUCATION

With over 700 employees across various countries, the Group acknowledges the crucial contributions of each team member to our success. Through effective training and education, our commitment is to align their interests with the Group's goals, enabling us to generate sustainable value.

The Group is committed to providing employees with continual training and career development to ensure they possess the essential skills and knowledge for the ever-evolving business landscape. This is critical for the Group's sustained relevance in our industry. Detailed budget allocations are made for seminars and workshops, offering opportunities for upskilling, cross-skilling, and reskilling. We prioritise the continual refinement of training courses to align with the Group's strategic plans and needs, enabling our employees to effectively perform their duties as the Group grows. Furthermore, in alignment with our dedication to fostering a fair and equitable workplace, we ensure that all training programs are readily available and accessible to our employees.

New Hires

Upon joining the Group, new hires are required to undergo an orientation program designed to prepare them for their respective roles and familiarise them with the company's culture and work environment. Furthermore, supervisors consistently provide on-the-job training to both new and existing staff, contributing to the continual enhancement of their skills and knowledge. This informal training approach serves as a valuable avenue for employees to acquire and refine the efficiency of their job responsibilities.

Performance Appraisals

Annually, the Group's entire workforce undergoes performance appraisals, during which supervisors pinpoint areas for enhancing work performance, while also acknowledging outstanding achievements and performances. These evaluations also assess employees' learning needs, with supervisors strategically allocating essential resources to foster their personal and professional development.

TRAINING AND EDUCATION (CONTINUED)

UPP Pulp & Paper (M) Sdn Bhd

Performance

During FY2023, our employees participated in a total of 16 external training courses, one (1) less from the 17 courses attended in FY2022. A total of 240 hours of training was conducted for 128 employees. On average, each employee received 1.87 hours of training, a slight increase from the average of 1.5 hours for FY2022. Below is a list of employee skills upgrading and transition assistance programs that UPP conducted during FY2023.

No.	Name
1	Forklift Safe Handling
2	Chemical handling and Spill Control
3	FMM Occupational Safety and Health Conference 2023
4	Lesson Learnt from Accident – Machinery Safety (Boiler)
5	Safety Working at Height
6	Employment Act 1955 (Amendment)
7	Modul Janakuasa Voltan Rendah Dengan Penyegerakkan
8	Practical Power Transformer
9	Certified Environmental Professional in Operation of Industrial Effluent Treatment System (Biological process)
10	Understanding Employment Act 1955 and Its Amendments
11	To Upgrade Forestry Stewardship Council Chain of Custody Certification Standard Version 3.0
12	Certified Environmental Professional in Schedule Waste Management
13	The Right Approach to Handle Misconduct, Domestic Inquiry and Procedure of labour Court
14	All About Leaves, Holidays and Hours of Works Related to the Employment Act
15	Taxation on Foreign Worker
16	Warehouse Management

Avarga Limited

Performance

In FY2023, a total of 28.5 training hours were undertaken by five (5) employees, resulting in an average of 5.7 hours of training per employee, a decrease from the average of 11.5 hours in FY2022. The training sessions encompassed various topics, including payroll management, Financial Reporting Standards, and tax regulations. Notably, the Group also sent employees to attend seminars to learn about insights about the latest developments in sustainability.

SUSTAINABILITY REPORT

OCCUPATIONAL HEALTH AND SAFETY

The achievement of our goals and objectives as a Group is contingent upon the safety and well-being of our employees. We acknowledge the pivotal role employee well-being plays and we are dedicated to fostering a work environment that prioritises their health and welfare. Comprehensive insurance and medical coverage are extended to all Group employees as part of their benefits package. Our human resource management policies and employee benefits undergo periodic reviews to ensure they are fair, effective and competitive.

Occupational Health and Safety ("OHS") Management System and Policies

In our commitment to prioritise the health and safety of our employees, an OHS management system has been implemented throughout each of our business divisions. This system formalises compliance with all legislative requirements and ensures the incorporation of recommended industry standards and guidelines.

Our OHS policies outline protocols for reporting accidents and injuries as well as subsequent incident investigations. In the event of an accident or injury, workers must promptly report incidents to their manager or supervisor. This ensures swift and appropriate actions can be taken. All incidents are documented, and management is kept informed. Necessary reports are filed with local authorities as required. Additionally, corrective actions may be implemented after the incident, where applicable, to prevent the recurrence of similar accidents in the future.

Mandatory health and safety training sessions are imperative for our employees to mitigate accidents and become acquainted with our OHS policies. Employees are required to be proficient in safety regulations and consistently adhere to wearing Personal Protective Equipment when handling heavy equipment, operating machinery, or dealing with chemicals. Additionally, they must understand inherent safety hazards for certain work procedures and specific machinery. Furthermore, we emphasise the importance of fire safety by consistently maintaining safety alarms and conducting fire drill exercises to ensure employees are well-versed in safety evacuation procedures.

UPP Pulp & Paper (M) Sdn Bhd

Due to the nature of UPP's manufacturing business, it faces an elevated risk of workplace accidents. Consequently, UPP has implemented crucial, tailored measures specific to the production line, relevant to fire safety and hygiene. In particular, we have specific protocols for equipment handling and sanitation at the paper mill and processing plant aimed at mitigating the risk of cross-contamination.

Safety Committee

To ensure that our workplace safety and health policies and practices are diligently implemented, UPP has established a Safety Committee. Employees are urged to convey suggestions, feedback, or complaints verbally or through written emails directed to members of the Safety Committee. The committee engages in routine discussions to pinpoint opportunities for improvement and devise strategies to mitigate or eliminate workplace hazards.

SUSTAINABILITY REPORT

OCCUPATIONAL HEALTH AND SAFETY (CONTINUED)

Performance

Work-related injuries	FY2023		FY2022[6]	
	Number	Rate[7]	Number	Rate[7]
Number of hours worked	338,100	N.A.	382,200	N.A.
Fatalities resulting from work-related injuries	–	–	1	0.52
High-consequence work-related injuries (excluding fatalities)	–	–	–	–
Recordable work-related injuries (including fatalities and high-consequence work-related injuries)	3	1.77	6	3.14

The table above illustrates the occurrences of OHS accidents at UPP over the last two years. In FY2023, there were three (3) recordable work-related incidents which resulted in injuries which includes lacerations, cuts, and burns. This is a decrease from six (6) recordable work-related injuries recorded in FY2022. Overall, in comparison to FY2022, UPP is pleased to have successfully reduced both the number and rate of work-related injuries.

Taiga Building Products Ltd.

Taiga has integrated Health, Safety, and Environment ("**HSE**") policies and procedures into the Employee Manual. The foundation of our HSE policy builds on the importance of prevention and education to decrease workplace accidents. Our HSE policy includes safety measures and guidelines for managing risks associated with workplace safety and health hazards, with the goal to alleviate or minimise work-related injuries and illnesses these risks present. Furthermore, the policy specifies the roles and responsibilities of both employees and management in handling and responding to incidents.

An integral component of the orientation and training for new employees involves comprehensive training on Safety Procedures, Confined Spaces, Workplace Hazardous Materials Information System, Lock-Out, and the proper use of Personal Protective Equipment.

6 The restatement of FY2022's rates was due to the revision of the estimated working hours per individual
7 Injury rates are calculated based on 200,000 hours worked

SUSTAINABILITY REPORT

OCCUPATIONAL HEALTH AND SAFETY (CONTINUED)

Health And Safety Committee

A Health and Safety Committee has been instituted to investigate accidents, raise awareness of legislative requirements in the workplace, and propose safety enhancements. The committee actively monitors data related to work-related injuries and illnesses, assesses injuries sustained by our employees, and identifies corrective actions that should be implemented. Additionally, the Health and Safety Committee closely oversees high-risk activities and disseminates information on near-miss incidents. Regular safety briefings are conducted to remind employees of potential risks and safe operating procedures, emphasising the importance of adhering to safety measures and occupational health precautions in the workplace.

Performance

Work-related injuries	FY2023		FY2022[8]	
	Number	Rate[9]	Number	Rate[9]
Number of hours worked	1,196,000	N.A.	1,216,800	N.A.
Fatalities resulting from work-related injuries	–	–	–	–
High-consequence work-related injuries (excluding fatalities)	–	–	–	–
Recordable work-related injuries (including fatalities and high-consequence work-related injuries)	13	2.17	5	0.82

The table above shows the number of OHS accidents for Taiga in FY2023 and FY2022. In FY2023, there were thirteen (13) recordable work-related incidents which resulted in injuries which include concussions, sprains, strains, tears, fractures, bruises and Musculoskeletal Connect Tissue Disease. The Group has included incidents resulting in Musculoskeletal Connect Tissue Disease as our compensation system classifies musculoskeletal disorders as recordable injuries. Overall, in comparison to FY2022, Taiga experienced a slight increase in both the number and rate of work-related injuries. Management acknowledges the rise in OHS accidents for FY2023 and has implemented comprehensive measures to curtail incidents. The enforcement of standard operating procedures for safe operations has been strengthened, accompanied by regular safety briefings to enhance employee awareness of safety protocols related to their duties.

UPP Power (Myanmar) Limited

Performance

UPP Power has continued the OHS measures outlined in the previous year's sustainability report. For plant operators, container homes at the power plant are still in operation, reducing the need for travel and facilitating remote work for employees when practicable.

[8] The restatement of FY2022's rate was due to the revision of the estimated working hours per individual
[9] Injury rates are calculated based on 200,000 hours worked

SUSTAINABILITY REPORT

ANTI-CORRUPTION

The Group is committed to creating sustainable value for stakeholders through robust corporate governance and ethical business conduct. Ensuring sound corporate governance practices is vital for protecting the interests of shareholders, customers, employees, and the broader community. The Group strongly enforces a stance of zero-tolerance against bribery, corruption, or malpractice. The Whistleblowing Policy, along with established procedures on Interested Persons Transactions, serves as the cornerstone for managing and addressing anti-corruption within the Group.

Whistleblowing Policy

Our Whistleblowing Policy includes the email address of our Audit and Risk Management Committee Chairman, and all employees may report workplace misconduct or suspected wrongdoings either to their direct superior, or to the designated email address. All reports made in good faith will be reassured of full confidentiality and protection from reprisal. We will maintain transparent communication with whistleblowers, take the appropriate necessary actions, and ensure that concerns are appropriately addressed. Employees also have the option to communicate their concerns regarding potential improprieties, such as financial reporting issues, misconduct, or unlawful activities, to their department head and the senior management team. The Group's Whistleblowing Policy can be found on the Company's website, at https://www.avarga.com.sg/about-us/corporate-governance/.

Interested Persons Transactions Policy

The Group has established procedures regarding Interested Persons Transactions to ensure the timely reporting of all such transactions to the Audit and Risk Management Committee. Following this, these transactions undergo comprehensive review by senior executives, the Audit and Risk Management Committee, and/or the Board. The investigation will take into account factors such as transaction amount and whether they are conducted on an arm's length basis. Upon completion of investigation, necessary actions will be taken where applicable. In any instances of potential conflicts of interest, any Director required to be abstained from voting or investigations will be ensured to do so.

Performance

We are delighted to share that we did not receive any whistleblowing reports in FY2023. There were also no reported incidents of fraud, corruption, or unethical behaviour.

SUSTAINABILITY REPORT

REGULATORY COMPLIANCE

Conducting our business in a responsible and ethical way is key to building trust and confidence with our stakeholders, which in turn ensures the long-term viability of our business.

Code of Conduct Policy

A robust internal policy is crucial for the Group to fulfil external regulatory requirements. To establish a desired workplace culture, we have implemented a Code of Conduct Policy, outlining fundamental principles and ethical business standards to guide our employees in performing their duties with integrity. We expect all employees to adhere to elevated standards of ethical conduct in their business dealings consistently. This initiative is part of our endeavor to cultivate a company-wide culture characterised by accountability and transparency. The Group's Code of Conduct Policy can be found on the Company's website, at https://www.avarga.com.sg/about-us/corporate-governance/.

Laws and regulations

The Group is acutely aware that failure to comply with laws and regulations exposes us to fines and sanctions, impacting our reputation and credibility. Hence, the Group is dedicated to full compliance with all applicable local laws and regulations of each region where the Group operates in. For instance, in Canada, Taiga is subject to the Canadian Environmental Protection Act. In response to the continually evolving regulatory landscape, we diligently stay informed about new laws and regulations to ensure strict adherence to governmental requirements. Regular reviews of our business activities are conducted to identify and prevent potential violations of laws and regulations.

Performance

In FY2023, there were no significant fines for non-compliance with the different regions' laws and regulation for the Group.

SUSTAINABILITY REPORT

ENVIRONMENTAL STEWARDSHIP

The Group strives to mitigate the environmental impact of its diverse businesses by integrating sustainability considerations into decision-making processes in its operations and supply chain partners.

UPP Pulp & Paper (M) Sdn Bhd

Through the conversion of low-impurity scrap paper into new paper rolls, our Malaysia paper mill manufactures 100% recycled paper, proudly labeled with the Forest Stewardship Council. The choice of paper recycling demonstrates environmental responsibility in contrast to the production of paper from virgin wood pulp. This approach significantly contributes to tree conservation, energy and water preservation, and a notable reduction in the volume of waste directed to disposal.

During FY2023, our mill generated 36,333 tonnes of recycled paper, marking a decrease of 34% from the 54,871 tonnes produced in FY2022. Considering that each tonne of recycled paper is estimated to preserve 17 trees compared to the production of paper from virgin wood pulp, we have effectively conserved a total of 617,661 trees in FY2023, a decrease from about 932,807 trees saved in FY2022.

Additionally, our paper production utilised 45,432 tonnes of scrap paper, reflecting a decrease of 38% from the 73,227 tonnes utilised in FY2022. As each tonne of recycled paper production conserves approximately 3m³ of landfill space, our efforts contributed to the conservation of approximately 108,999m³ of landfill space in FY2023, down from the 164,613 m³ saved in FY2022.

Taiga Building Products Ltd.

Taiga is in full support for responsible forestry practices, ensuring efficient stewardship of forest resources to ensure their availability for future generations. We procure spruce, pine, fir, and cedar wood from lumber mills that obtain their supply from sustainably managed forests. These mills operate in strict compliance with Canada's rigorous forest protection laws.

Our product mix reflects the concepts of "reduce, reuse, and recycle". In our insulation product line, we incorporate recycled glass, ensuring these products are formaldehyde-free and contribute to enhanced indoor air quality. Furthermore, our composite decking products (branded as Trex) are crafted using waste wood, reclaimed plastic pallet wrap, and recycled plastic grocery bags. Notably, substitute wood products such as oriented strand boards and engineered wood products play a significant role in diversifying our product mix.

SUSTAINABILITY REPORT

ENVIRONMENTAL STEWARDSHIP (CONTINUED)

Recognised certification

Our Canadian treatment plants have obtained certification from the Canadian Wood Preservation Certification Authority, having successfully completed Environment Canada audits in complete adherence to the Technical Recommendation Documents endorsed by both the government and industry.

Through the distribution and advocacy of treated wood products, we actively participate in reducing the long-term demand for timber resources. This is because treated wood exhibits greater durability compared to conventional timber. Consequently, by extending the lifespan of wood products, we indirectly contribute to the conservation of our forests.

UPP Power (Myanmar) Limited

UPP Power diligently adheres to strict environmental regulations when operating our power generator. We regularly monitor environmental parameters around the plant to promptly address any adverse effects from our operations.

Myan Shwe Pyi Tractors Limited and Caterpillar Group

We have established an enduring operation and maintenance (O&M) contract with Myan Shwe Pyi Tractors Limited, an official Caterpillar dealer in Myanmar. This strategic alliance ensures the uninterrupted and smooth operation of our power plant, bolstered by substantial technical support from the renown Caterpillar Group. Our power plant in Myanmar was meticulously designed by the Caterpillar Group to achieve optimal performance. In addressing noise concerns, the power plant structure complies with rigorous noise insulation standards prescribed by Barclay Engineering in Australia, where fabrication took place before being transported to Myanmar. Furthermore, we use other advanced Caterpillar machines and technology to optimise the electricity output, gas utilisation, and heat rate efficiency of our power plant.

SUSTAINABILITY REPORT

GRI CONTENT INDEX

Statement of Use	Avarga Limited has reported the information cited in this GRI content index for the period 1 January 2023 to 31 December 2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI DISCLOSURES		PAGE NO.
GRI 2: General Disclosures 2021		
The organisation and its reporting practices		
2-1	Organisational details	55, 59
2-2	Entities included in the organisation's sustainability reporting	56-57
2-3	Reporting period, frequency and contact point	56
2-4	Restatements of information	77-78
2-5	External assurance	58
Activities and workers		
2-6	Activities, value chain and other business relationships	59, 61
2-7	Employees	69
2-8	Workers who are not employees	70
Governance		
2-9	Government structure and composition	62
2-10	Nomination and selection of the highest governance body	23-25
2-11	Chair of the highest governance body	22
2-12	Role of the highest governance body in overseeing the management of impacts	16, 62
2-13	Delegation of responsibility for managing impacts	62
2-14	Role of the highest governance body in sustainability reporting	62
2-15	Conflicts of interests	79
2-16	Communication of critical concerns	69, 79
2-17	Collective knowledge of the highest governance body	17, 62
2-18	Evaluation of the performance of the highest governance body	25
2-19	Remuneration policies	26-27
2-20	Process to determine remuneration	26-27
2-21	Annual total compensation ratio	28-29[10]

[10] We have not included the annual total compensation ratio due to confidentiality constraints, given the highly competitive industry conditions, pressure in talent market and the sensitivity of remuneration matters.

SUSTAINABILITY REPORT

GRI CONTENT INDEX (CONTINUED)

GRI DISCLOSURES		PAGE NO.
Strategy, policies and practices		
2-22	Statement on sustainable development strategy	55
2-23	Policy commitments	79-80
2-24	Embedding policy commitments	79-80
2-25	Processes to remediate negative impacts	63
2-26	Mechanisms for seeking advice and raising concerns	79
2-27	Compliance with laws and regulations	80
2-28	Membership associations	60
Stakeholder Engagement		
2-29	Approach to stakeholder engagement	63
2-30	Collective bargaining agreements	Not applicable[11]
GRI 3: Material Topics 2021		
3-1	Process to determine material topics	64
3-2	List of material topics	64-65
GRI 201: Economic Performance 2016		
3-3	Management of material topics	66-68
201-1	Direct economic value generated and distributed	66-68
GRI 401: Employment 2016		
3-3	Management of material topics	69-73
401-1	New Employee Hires and Employee Turnover	71, 73
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	69-70
401-3	Parental leave	72-73
GRI 404: Training and Education 2016		
3-3	Management of material topics	74-75
404-1	Average hours of training per year per employee	75
404-2	Programs for upgrading employee skills and transition assistance programs	75

[11] All employees within the scope of this SR are not covered by collective bargaining agreements.

GRI CONTENT INDEX (CONTINUED)

GRI DISCLOSURES		PAGE NO.
GRI 403: Occupational Health and Safety 2018		
3-3	Management of material topics	76-78
403-1	Occupational health and safety management system	76
403-2	Hazard identification, risk assessment, and incident investigation	76-78
403-4	Worker participation, consultation, and communication on occupational health and safety	76-78
403-5	Worker training on occupational health and safety	76-78
403-9	Work-related injuries	77-78
GRI 205: Anti-Corruption 2016		
3-3	Management of material topics	79
205-3	Confirmed incidents of corruptions and actions taken	79
Regulatory Compliance		
3-3	Management of material topics	80
Environmental Stewardship		
3-3	Management of material topics	81-82

SUSTAINABILITY REPORT

TCFD CONTENT INDEX

Disclosure Focus Area	Recommended Disclosure	Page Reference/Remarks
Governance		
Disclose the organisation's governance around climate-related risks and opportunities.	a. Describe the board's oversight of climate-related risks and opportunities.	Please refer to "Reporting Framework" for our plans on incorporating climate-related disclosures
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	Please refer to "Reporting Framework" for our plans on incorporating climate-related disclosures
Strategy		
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Please refer to "Reporting Framework" for our plans on incorporating climate-related disclosures
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	Please refer to "Reporting Framework" for our plans on incorporating climate-related disclosures
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Please refer to "Reporting Framework" for our plans on incorporating climate-related disclosures

TCFD CONTENT INDEX (CONTINUED)

Disclosure Focus Area	Recommended Disclosure	Page Reference/Remarks
Risk Management		
Disclose how the organisation identifies, assesses and manages climate-related risks.	a. Describe the organisation's processes for identifying and assessing climate-related risks.	Please refer to "Reporting Framework" for our plans on incorporating climate-related disclosures
	b. Describe the organisation's processes for managing climate-related risks.	Please refer to "Reporting Framework" for our plans on incorporating climate-related disclosures
	c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	Please refer to "Reporting Framework" for our plans on incorporating climate-related disclosures
Metrics and Targets		
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Please refer to "Reporting Framework" for our plans on incorporating climate-related disclosures
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	Please refer to "Reporting Framework" for our plans on incorporating climate-related disclosures
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Please refer to "Reporting Framework" for our plans on incorporating climate-related disclosures

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2023 and the balance sheet of the Company as at 31 December 2023.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 101 to 188 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2023 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Tong Kooi Ong	(Executive Chairman)
Tong Ian	(Chief Executive Officer)
Chan Lay Hoon	
Moey Weng Foong	
Andrew Lim Cheong Seng	
Lai Ven Li	(Appointed on 1 January 2024)
Kevin Kang Kah Wee	(Appointed on 1 January 2024)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "**Share options**" in this statement.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which a director is deemed to have an interest	
	At 31.12.2023	At 1.1.2023	At 31.12.2023	At 1.1.2023
Company				
(No. of ordinary shares)				
Tong Kooi Ong	–	–	298,247,000	295,364,000
Tong Ian	2,800,000	2,800,000	–	–
Moey Weng Foong	625,000	625,000	–	–
Andrew Lim Cheong Seng	5,000,000	5,000,000	–	–

Mr. Tong Kooi Ong, who by virtue of his interest of not less than 20% of the issued share capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's wholly owned subsidiary corporations and in the shares held by the Company in the following subsidiary corporations that are not wholly owned by the Group:

	At 31.12.2023	At 1.1.2023
Taiga Building Products Ltd.		
– No. of ordinary shares	107,955,011	108,171,321

The directors' interests in the ordinary shares of the Company as at 21 January 2024 were the same as those as at 31 December 2023.

Share options

Avarga Group Employees' Share Option Scheme 2018

The Avarga Group Employees' Share Option Scheme 2018 (the "**Option Scheme**") for executive directors and confirmed employees of the Group (the "**Participant**") was approved by members of the Company at an Extraordinary General Meeting on 27 April 2018. The Option Scheme is administered by the Remuneration Committee ("**RC**").

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Share options (Continued)

Avarga Group Employees' Share Option Scheme 2018 (Continued)

The purpose of the Option Scheme is to provide an opportunity for employees of the Group who have contributed significantly to the growth and performance of the Group, as well as executive directors who satisfy the eligibility criteria as set out in the rules of the Option Scheme ("**Option Scheme Rules**"), to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to past contributions and services. Additionally, the Option Scheme will help the Group to attract and retain the services of appropriate, qualified and experienced employees who would be able to contribute to the Group's business and operations.

Under the Option Scheme, any Executive Director or confirmed employee of the Group selected by the RC to participate in the Option Scheme in accordance with the Option Scheme Rules who have, among other things, been in the employment of the Group for a period of at least 12 months, or such shorter period as the RC may determine, shall be eligible to participate in the Option Scheme. Controlling shareholders and their associates are also eligible to participate in the Option Scheme. Under the Option Scheme, the number of shares comprised in options offered to a participant shall be determined at the absolute discretion of the RC, who shall take into account, where applicable, criteria such as the bonus earned by the participant in any particular year, rank, past performance, years of service and potential contribution of the participant.

The aggregate number of shares over which the RC may offer to grant options on any date, when added to:

(a) the aggregate number of new shares issued and issuable in respect of all other share-based incentive schemes of the Company (if any); and

(b) the number of treasury shares and subsidiary holdings delivered in respect of the options granted under all other share-based incentive schemes of the Company (if any),

shall not exceed 15% of the issued share shares (excluding treasury shares and subsidiary holdings) of the Company on the date immediately preceding the date of grant.

The aggregate number of shares over which the RC may offer to grant options to the controlling shareholders and their associates under the Option Scheme, shall not exceed 25% of the shares available under the Option Scheme, provided always that the number of shares available to each controlling shareholder or each of his associates shall not exceed 10% of the shares available under the Option Scheme.

Subject to any adjustment pursuant to the Option Scheme Rules, the exercise price for each share in respect of which an option is exercisable shall be fixed by the RC at the market price as determined in accordance with the Option Scheme Rules.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Share options (Continued)

Avarga Group Employees' Share Option Scheme 2018 (Continued)

The exercise price of the options is determined by the RC at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange for five market days immediately preceding the date of the grant. For the avoidance of doubt, the exercise price shall not be at a discount to the market price. Options granted shall only be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 100 shares or any multiple thereof), at any time, by an Option holder during the exercise period. Options granted shall be exercisable during a period commencing after the fourth anniversary of the date of grant of the option and expiring on the tenth anniversary of the date of grant of the option, subject to the following:

(a) Up to 25% only of the shares in respect of which that option is granted may be exercised during the period commencing from the date falling immediately after the fourth anniversary of the date of grant of that option and ending on the fifth anniversary of the date of grant of that option;

(b) Up to 25% only of the Shares in respect of which that option is granted may be exercised during the period commencing from the date falling immediately after the fifth anniversary of the date of grant of that option and ending on the sixth anniversary of the date of grant of that option;

(c) Up to 25% only of the shares in respect of which that option is granted may be exercised during the period commencing from the date falling immediately after the sixth anniversary of the date of grant of that option and ending on the seventh anniversary of the date of grant of that option;

(d) Up to 25% only of the shares in respect of which that option is granted may be exercised during the period commencing from the date falling immediately after the seventh anniversary of the date of grant of that option and ending on the tenth anniversary of the date of grant of that option;

provided always that all options shall be exercised by the tenth anniversary of the relevant date of grant, failing which all unexercised options shall immediately lapse and become null and void and a grantee shall have no claim against the Company.

A feature of the Option Scheme is that Options may be exercised after a Participant ceases to be employed by the Group (other than arising from misconduct on the part of the Option Holder (as determined by the Committee in its absolute discretion)). This is because it is the Company's intention to use Options to pay a portion of a Participant's earned bonus entitlement instead of making such payment in cash, and the Participant would in effect have paid for the Option upon its grant since such Option represents the consideration he receives for that part of his earned bonus entitlement.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Share options (Continued)

Avarga Group Employees' Share Option Scheme 2018 (Continued)

There were no options granted during the financial year, including options to controlling shareholders of the Company or their associates (as defined in the Listing manual of Singapore Exchange Securities Trading Limited), to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under options at the end of the financial year.

Audit and Risk Management Committee ("ARMC")

The members of the ARMC at the end of the financial year were as follows:

Gary Ho Kuat Foong (Chairman) (Ceased on 1 January 2024)
Ng Shin Ein (Ceased on 1 January 2024)
Chan Lay Hoon
Moey Weng Foong
Andrew Lim Cheong Seng (Appointed on 1 January 2023)

All members of the ARMC were non-executive directors. The majority of the members, including the Chairman, were independent.

The ARMC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act 1967. In performing those functions, the ARMC reviewed:

- the scope and the results of internal audit procedures with the internal auditor;

- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

- the assistance given by the Company's management to the independent auditor; and

- the balance sheet of the Company as at 31 December 2023 and the consolidated financial statements of the Group for the financial year then ended before their submission to the Board of Directors.

The ARMC has recommended to the Board that the independent auditor, Moore Stephens LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Independent Auditor

The independent auditor, Moore Stephens LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Tong Kooi Ong
Director

Tong Ian
Director

22 March 2024

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AVARGA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Avarga Limited (the "**Company**") and its subsidiary corporations (the "**Group**"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of material accounting information.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the Act) and Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") so as to give a true and fair view of the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("**SSAs**"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("**ACRA**") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("**ACRA Code**") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters – Myanmar Business Operations

We draw attention to Note 6 to the financial statements. As set out in Note 6 to the financial statements, the Group has entered into a service concession arrangement (the "**Arrangement**") with Electric Power Generation Enterprise ("**EPGE**"), a governmental body of the Republic of the Union of Myanmar (the grantor) to provide electricity generated by it to EPGE on a take or pay and Build-Operate-Transfer ("**BOT**") basis. Since October 2022, Myanmar has been included by the Financial Action Task Force in its list of "High-Risk Jurisdictions subject to a Call for Action". In addition, the governments of various countries have issued sanctions against Myanmar. Accordingly, as at 31 December 2023, an expected credit loss allowance of S$13,707,000 (2022: S$Nil) was made in respect of the service concession receivables in the consolidated financial statements of the Group, that resulted from the Arrangement. Management is of the view that based on information available as at the date of these financial statements, there is no indication that it is probable for the Group to incur further material losses beyond these expected credit loss allowances. The assessment of losses arising from the Service Concession Arrangement with EPGE is a significant accounting estimate that is affected by a wide range of uncertainties, including, inter alia, those relating to ongoing developments in Myanmar, as well as sanction-related regulatory developments. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AVARGA LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	**How our audit addressed the matter**
Revenue recognition – Wholesale of building products and trading of paper products We refer to Note 2.3(i), Note 2.3(ii), and Note 22 to the consolidated financial statements. During the financial year ended 31 December 2023, the Group recognised total revenue of S$1.70 billion, with S$1.67 billion from wholesale of building products and S$22.12 million from trading of paper products. The Group derives revenue primarily from wholesale of building products and trading of paper products. Revenue is recognised at a point in time, when the control of the products has been transferred to the customers, which is when the products are shipped to the customers or when delivery is made. This is regarded as a key audit matter due to the magnitude of the revenues and the high volume of transactions that are generated from multiple locations. The Group has volume-based incentive agreements in place which are specific to product lines and customers groups.	In obtaining sufficient audit evidence, the procedures performed included: • obtained an understanding with management on the process and controls relating to revenue recognition. • performed analytical procedures to identify unusual fluctuations. • on a sample of revenue transactions, performed test of controls and test of details for revenue transactions during the year and at year end to ascertain that revenue was recorded in the relevant financial period at the point in time when control of the product was transferred to the customer. • on a sample of revenue transactions, recalculated the rebate amount using the terms of the customer incentive agreement. • reviewed management journal entries posted to revenue and agreed to supporting evidence for appropriateness. Based on the audit procedures, we found the management's judgement around the recognition of revenue to be appropriate.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AVARGA LIMITED

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the matter
Impairment of non-financial assets – Goodwill	
We refer to Note 2.10(a), Note 3.1(a) and Note 12(a) to the consolidated financial statements. The carrying amount of the Group's goodwill amounted to S$31.4 million as at 31 December 2023. The goodwill recognised are in relation to the acquisition of Taiga Building Products Ltd. ("**Taiga**") and Exterior Wood, Inc ("**EWI**") in previous financial years. The Group tested goodwill for impairment at the end of the reporting period. In performing the impairment assessment of the carrying amount of goodwill, the recoverable amounts of cash-generating-units to which goodwill has been attributable, are determined using value-in-use calculations using discounted cash flows. This is regarded as a key audit matter due to the significant management estimates and assumptions which involve judgements in the discounted cash flows. Changes to the estimates and assumptions that are affected by future market and economic conditions will result in changes in the carrying amount of goodwill recognised at the end of the reporting year end.	In obtaining sufficient audit evidence, the procedures performed included: • obtained an understanding with management on the process, their assessments on the key estimates and assumptions used in determining the value-in-use calculations. • reviewed the reasonableness of the key assumptions used in the discounted cash flows models including expected growth rates, margins and discounts rates, and that the assumptions used are supported taking into consideration each cash-generating-units current and past performance, management's future plan and expectations of market developments. • reperformed the calculations of the value-in-use calculations prepared by management to check the mathematical accuracy, evaluated and performed sensitivity analysis to assess the impact on the recoverable amounts when reasonable possible changes to the key assumptions are made. • reviewed the adequacy of the disclosures made in relation to the impairment assessment of goodwill in the financial statements. Based on the audit procedures, we found the estimates and assumptions within the discounted cash flow models to be within a reasonable range.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AVARGA LIMITED

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the matter
Impairment of service concession receivables We refer to Note 6 to the financial statements. The carrying amount of the Group's service concession receivables amounted to S$11.3 million as at 31 December 2023. The ECL loss allowance recognised are in relation to the significant increase in credit risk due to the current political situation in Myanmar, weakening economy and potentially facing increased trade and economic sanctions. The Group tested ECL assessment for impairment at the end of the reporting period. Such assessment of expected credit losses involving customer-specific and forward-looking information requires management judgement. A lifetime approach was applied in determining this loss allowance following a deterioration in credit risk rating from initial recognition of these service concession receivables. UPP Power Myanmar operates in an emerging economy which is currently facing an unstable political environment, a weakening economy impacting foreign exchange reserves and potentially facing increased trade and economic sanctions. When the Group determined the credit risk has increased significantly, the Group considered reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment, taking into account forward-looking information. Customer collectability is assessed on an ongoing basis and any resulting impairment losses are recognised in profit or loss. This is regarded as a key audit matter due to the the assessment of expected credit losses arising from the Service Concession Arrangement is a significant accounting estimate that is affected by a wide range of uncertainties, including, inter alia, those relating to ongoing developments in Myanmar, as well as sanction-related regulatory developments.	In obtaining sufficient audit evidence, the procedures performed included: • reviewed the ECL lifetime approach used by management is in accordance with SFRS(I) 9. • reviewed the recognition of the service concession receivables and ascertained if there is an increase in credit risk noted. • reviewed the Group's estimation process in determining the amount of loss allowance recognized on these service concession receivables. • engaged with our internal valuation specialist to assess the reasonableness of the loss allowance recognised. Based on the audit procedures performed, we found the management's estimates and judgement on the impairment of service concession receivables to be appropriate.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AVARGA LIMITED

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AVARGA LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AVARGA LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Christopher Bruce Johnson.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
22 March 2024

BALANCE SHEETS

AS AT 31 DECEMBER 2023

	Note	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
ASSETS					
Current assets					
Cash and cash equivalents	4	172,094	99,815	5,631	2,135
Trade and other receivables	5	129,724	133,143	107,747	136,855
Service concession receivables	6	11,325	15,982	–	–
Inventories	7	182,686	234,503	–	–
Derivative financial instruments	14	–	220	–	–
Income tax recoverable	27	14,284	15,211	–	–
		510,113	498,874	113,378	138,990
Non-current assets					
Property, plant and equipment	8	136,499	156,769	768	408
Investments in subsidiary corporations	11	–	–	12,018	15,422
Service concession receivables	6	–	11,892	–	–
Financial assets, at fair value through profit or loss ("**FVPL**")	10	11,208	220	–	220
Intangible assets	12	44,712	49,977	–	–
Deferred tax assets	19	5,409	8,072	–	–
		197,828	226,930	12,786	16,050
Total assets		707,941	725,804	126,164	155,040

The accompanying notes form an integral part of these financial statements

BALANCE SHEETS

AS AT 31 DECEMBER 2023

		Group		Company	
	Note	2023	2022	2023	2022
		$'000	$'000	$'000	$'000
LIABILITIES					
Current liabilities					
Trade and other payables	13	128,656	150,101	437	578
Derivative financial instruments	14	204	–	–	–
Bank borrowings	15	26,740	31,015	–	–
Lease liabilities	16	5,670	5,561	134	128
Current income tax liabilities		39	278	–	–
		161,309	186,955	571	706
Non-current liabilities					
Lease liabilities	16	89,582	91,421	94	215
Deferred gain	17	2,115	2,223	–	–
Provisions	18	151	261	–	–
Deferred tax liabilities	19	6,736	12,436	–	–
		98,584	106,341	94	215
Total liabilities		259,893	293,296	665	921
NET ASSETS		448,048	432,508	125,499	154,119
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	20	169,597	169,597	169,597	169,597
Treasury shares	20	(12,130)	(12,130)	(12,130)	(12,130)
Retained profits/(accumulated losses)		219,332	208,039	(32,042)	(3,422)
Other reserves	21	(40,357)	(36,464)	74	74
		336,442	329,042	125,499	154,119
Non-controlling interests	11	111,606	103,466	–	–
Total equity		448,048	432,508	125,499	154,119

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 $'000	2022 $'000
Revenue	22	1,699,978	2,368,337
Cost of sales		(1,500,529)	(2,057,786)
Gross profit		199,449	310,551
Other gains/(losses), net			
– Interest income – bank deposits		3,001	80
– Loss allowance on trade and service concession receivables	31(a)(i)	(13,927)	(614)
– Others	23	(15,565)	(8,372)
Expenses			
– Distribution		(32,641)	(32,654)
– Selling and administrative		(94,161)	(149,894)
– Finance	26	(7,047)	(9,238)
Profit before income tax		39,109	109,859
Income tax expense	27	(11,929)	(33,298)
Net profit		27,180	76,561
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
– Losses		(3,619)	(15,669)
Items that will not be reclassified subsequently to profit or loss:			
Financial assets, at FVOCI			
– Fair value changes – equity investments		–	(3)
Currency translation differences arising from consolidation			
– Losses		(438)	(5,141)
Other comprehensive loss, net of tax		(4,057)	(20,813)
Total comprehensive income		23,123	55,748
Net profit attributable to:			
Equity holders of the Company		10,927	50,875
Non-controlling interests		16,253	25,686
		27,180	76,561
Total comprehensive income attributable to:			
Equity holders of the Company		7,308	35,203
Non-controlling interests		15,815	20,545
		23,123	55,748
Earnings per share ("EPS") for profit attributable to equity holders of the Company (cents per share)			
– Basic EPS	28	1.20	5.60
– Diluted EPS	28	1.20	5.60

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		Attributable to equity holders of the Company							
	Note	Share capital $'000	Treasury shares $'000	Retained profits[1] $'000	Capital reserve $'000	Currency translation reserve $'000	Total other reserves $'000	Non-controlling interests $'000	Total equity $'000
2023									
Balance as at 1 January 2023		169,597	(12,130)	208,039	1,070	(37,534)	(36,464)	103,466	432,508
Profit for the financial year		–	–	10,927	–	–	–	16,253	27,180
Other comprehensive loss for the financial year		–	–	–	–	(3,619)	(3,619)	(438)	(4,057)
Total comprehensive income/(loss) for the financial year		–	–	10,927	–	(3,619)	(3,619)	15,815	23,123
Effect of subsidiary corporation's shares buyback and cancelled	11	–	–	366	(252)	(22)	(274)	(697)	(605)
Dividend paid by a subsidiary company to non-controlling interest		–	–	–	–	–	–	(6,978)	(6,978)
Total transactions with owners, recognised directly in equity		–	–	366	(252)	(22)	(274)	(7,675)	(7,583)
Balance as at 31 December 2023		169,597	(12,130)	219,332	818	(41,175)	(40,357)	111,606	448,048

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		Attributable to equity holders of the Company								
	Note	**Share capital $'000**	**Treasury shares $'000**	**Retained profits[1] $'000**	**Capital reserve $'000**	**Currency translation reserve $'000**	**Fair value reserve $'000**	**Total other reserves $'000**	**Non-controlling interests $'000**	**Total equity $'000**
2022										
Balance as at 1 January 2022		169,597	(12,120)	157,130	1,098	(21,858)	(29)	(20,789)	83,045	376,863
Profit for the financial year		–	–	50,875	–	–	–	–	25,686	76,561
Other comprehensive loss for the financial year		–	–	–	–	(15,669)	(3)	(15,672)	(5,141)	(20,813)
Total comprehensive income/(loss) for the financial year		–	–	50,875	–	(15,669)	(3)	(15,672)	20,545	55,748
Purchase of treasury shares	20	–	(10)	–	–	–	–	–	–	(10)
Effect of subsidiary corporation's shares buyback and cancelled	11	–	–	66	(28)	(7)	–	(35)	(124)	(93)
Transfer upon disposal of financial assets, at FVOCI		–	–	(32)	–	–	32	32	–	–
Total transactions with owners, recognised directly in equity		–	(10)	34	(28)	(7)	32	(3)	(124)	(103)
Balance as at 31 December 2022		169,597	(12,130)	208,039	1,070	(37,534)	–	(36,464)	103,466	432,508

(1) Retained profits of the Group are fully distributable.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Net profit		27,180	76,561
Adjustments for:			
– Income tax expense	27	11,929	33,298
– Depreciation of property, plant and equipment	24	13,811	13,912
– Amortisation of intangible assets	24	4,979	5,248
– Amortisation of deferred gain	23	(118)	(125)
– Gain on disposal of property, plant and equipment	23	(200)	(10)
– Impairment loss on property, plant and equipment	23	14,456	6,141
– Provisions		(111)	(113)
– Loss allowance on trade receivables, net		220	614
– Loss allowance on service concession receivables		13,707	–
– Net fair value loss/(gain) on derivatives		424	(1,078)
– Fair value loss on financial assets, at FVPL		918	–
– Finance income	22	(3,090)	(3,800)
– Interest income		(3,001)	(80)
– Interest expense	26	7,047	9,238
– Unrealised currency translation loss/(gains)		48	(7,943)
		88,199	131,863
Change in working capital:			
– Trade and other receivables and service concession receivables		8,472	30,931
– Inventories		52,285	(7,610)
– Trade and other payables		(21,823)	(9,853)
Cash generated from operations		127,133	145,331
Interest received		3,001	80
Interest paid		(5,759)	(6,877)
Income tax paid		(14,278)	(83,980)
Net cash provided by operating activities		110,097	54,554
Cash flows from investing activities			
Additions to property, plant and equipment		(5,952)	(5,935)
Disposal of property, plant and equipment		315	131
Purchase of financial assets, at FVPL		(12,223)	–
Disposal of listed equity security		–	382
Net cash used in investing activities		(17,860)	(5,422)

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 $'000	2022 $'000
Cash flows from financing activities			
Purchase of treasury shares	20	–	(10)
Repurchase of common shares by a subsidiary corporation	11	(605)	(93)
Principal payment of lease liabilities		(6,271)	(5,964)
Proceeds from bank borrowings		2,000	11,583
Repayment of bank borrowings		(5,864)	(29,488)
Interest paid		(1,854)	(2,264)
Redemption of subordinated notes		–	(12,388)
Dividend paid by a subsidiary corporation to non-controlling interest		(6,978)	–
Net cash used in financing activities		(19,572)	(38,624)
Net increase in cash and cash equivalents		72,665	10,508
Cash and cash equivalents			
Beginning of financial year		99,815	88,257
Effects of currency translation on cash and cash equivalents		(386)	1,050
End of financial year	4	172,094	99,815

Reconciliation of liabilities arising from financing activities

	1 January $'000	Cash flows $'000	Non-cash changes: Addition $'000	Non-cash changes: Foreign exchange movement $'000	31 December $'000
2023					
Lease liabilities	96,982	(6,271)	4,253	288	95,252
Bank borrowings	31,015	(3,864)	–	(411)	26,740
2022					
Lease liabilities	105,735	(5,964)	3,287	(6,076)	96,982
Bank borrowings	49,735	(17,905)	–	(815)	31,015
Subordinated notes	13,275	(12,388)	–	(887)	–

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 GENERAL INFORMATION

Avarga Limited (the "**Company**") is listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and incorporated and domiciled in Singapore. The address of its registered office is 1 Kim Seng Promenade, #13-10 Great World City, Singapore 237994.

The principal activities of the Company are the trading of paper products, investment holding and providing management services. The principal activities of its subsidiary corporations are disclosed in Note 11.

2 MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("**SFRS(I)**") under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollar ("**$**") and all values in the tables are rounded to the nearest thousand ($'000), unless otherwise stated.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.2 Interpretations and amendments to published standards effective in 2023

On 1 January 2023, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("**INT SFRS(I)**") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 Revenue recognition

(i) Wholesale of building products

The Group distributes building products to supply yards, building product retailers and industrial manufacturers. Sales are recognised when control of the products has transferred to the Group's customers, being when the products are shipped to the customer in instances where the customer arranges for shipment or upon delivery for instances in which the Group arranges for shipment. The customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Once products are delivered to the Group's customers, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales order, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. A portion of the Group's sales take place on a consignment basis, where the Group will deliver inventory to customer locations that has not yet been purchased. The revenue from these sales is recognised when the customer purchases the inventory.

The Group's products are sold with volume discounts based on aggregate sales over set periods. Revenue from these sales is recognised based on the price agreed upon for each order, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

No element of financing is deemed present as the sales are made with credit terms standard for the market. The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision. Historically, the Group's annual returns for products sold have been negligible.

A receivable (financial asset) is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 Revenue recognition (Continued)

(ii) Trading of paper products

The Group manufactures and sells a range of paper products. Sales are recognised when control of the products has transferred to its customer, being when the products are delivered to the customers, the customers has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers.

The sales are made with credit terms standard ranges from 30 to 120 days. However, the customer has a right to return the goods to the Group due to quality issues. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has not been significant for years, it is not probable that a significant reversal in the cumulative revenue recognised will occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. The asset is measured by reference to the former carrying amount of the product. The costs to recover the products are not material, because the customer usually returns the product in a saleable condition.

The Group does not operate any customer loyalty programme.

(iii) Construction revenue

Please refer to the paragraph "Service concession arrangement" for the accounting policy for revenue from construction contracts (Note 2.9(b)).

(iv) Operating and maintenance income

Operating and maintenance income relates to the income derived from managing and operation of infrastructure under service concession arrangement.

Operating and maintenance income is recognised in the accounting period in which the services are rendered.

The customer is only invoiced once a month. A contract asset is recognised for the cumulative revenue recognised but not yet invoiced.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 Revenue recognition (Continued)

(v) Finance income

Finance income from a service concession arrangement is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Finance income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(vi) Interest income

Interest income from financial assets at FVPL is included as part of the net fair value gains or losses in "Other gains and losses". Interest income from financial assets at amortised cost and FVOCI is recognised using the effective interest rate method.

(vii) Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

2.4 Group accounting

(a) Subsidiary corporations

(i) Consolidation

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power of the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Group accounting (Continued)

(a) *Subsidiary corporations* (Continued)

(i) *Consolidation* (Continued)

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

(ii) *Acquisitions*

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Impairment of non-financial assets – Goodwill" for the subsequent accounting policy on goodwill.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Group accounting (Continued)

(a) *Subsidiary corporations* (Continued)

(iii) *Disposals*

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific SFRS(I).

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporation are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interests and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

2.5 Property, plant and equipment

(a) *Measurement*

(i) *Land and buildings*

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at cost less accumulated impairment losses. Buildings and leasehold land are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (Continued)

(a) *Measurement* (Continued)

(ii) *Other property, plant and equipment*

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(iii) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) *Depreciation*

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line and declining balance methods to allocate their depreciable amounts over their estimated useful lives and annual rates as follows:

Straight-line method	**Useful lives**
Leasehold land	90 to 99 years
Leasehold improvements	Over term of lease
Buildings	50 years
Treating equipment	20 to 25 years
Plant and machinery	3 to 40 years
Computer system and license	3 to 10 years
Furniture, fixtures and office equipment	3 to 10 years
Motor vehicles	5 years

Declining balance method	**Annual rates**
Buildings	4% to 10%
Furniture and office equipment	8% to 30%
Warehouse equipment	10% to 30%

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (Continued)

(b) *Depreciation* (Continued)

The residual values, estimated useful lives or annual rates and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Assets that are not yet available for use are not being depreciated.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other gains/(losses), net – Others".

2.6 Intangible assets

(a) *Goodwill*

Goodwill on acquisitions of subsidiary corporations and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiary corporations is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiary corporations include the carrying amount of goodwill relating to the entity sold.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets (Continued)

(b) *Other intangible assets*

Other intangible assets from a business acquisition are recorded at fair value on the date of acquisition. After initial recognition, an intangible asset is carried at cost less accumulated amortisation and any accumulated impairment losses. These costs are amortised to profit or loss on a straight-line basis in accordance with their estimated economic useful lives or periods of contractual rights as follows:

Intangible assets	Useful lives
Customer relationships and brand name	7 to 15 years
Favourable lease terms	Over the term of the lease

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date to ensure they are aligned with estimates of the remaining economic useful lives of the associated intangible assets. The effects of any revision are recognised in profit or loss when the changes arise.

2.7 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2.8 Investments in subsidiary corporations

Investments in subsidiary corporations are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.9 Service concession arrangement

(a) *Consideration given by the grantor*

A financial asset (receivable under a service concession arrangement) is recognised to the extent that the Group has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered and/or the consideration paid and payable by the Group for the right to manage and operate the infrastructure for public service. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts to be paid by the grantor based on the usage of the service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset (receivable under a service concession arrangement) is accounted for in accordance with the policy set out in Note 2.11 below.

(b) *Construction of service concession related infrastructure*

Revenue and costs relating to construction or upgrade services of the infrastructure under a service concession arrangement is accounted for in accordance with SFRS(I) 15 *Revenue from Contracts with Customers*.

The infrastructure has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the infrastructure. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

(c) *Operating services*

Revenue relating to operating services is accounted for in accordance with the policy for "Revenue recognition (operating and maintenance income)" as described in Note 2.3(iv) above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.9 Service concession arrangement (Continued)

(d) *Contractual obligations to restore the infrastructure to a specified level of serviceability*

When the Group has contractual obligations that it must fulfil as a condition for operating the infrastructure, that is (a) to maintain the infrastructure to a specified level of serviceability and/or (b) to restore the infrastructure to a specified condition before they are handed over to the grantor at the end of the service concession arrangement, these contractual obligations to maintain or restore the infrastructure are recognised and measured in accordance with the policy set out in Note 2.18 below.

Repair and maintenance and other expenses that are routine in nature are expensed and recognised in profit or loss as incurred.

2.10 Impairment of non-financial assets

(a) *Goodwill*

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("**CGU**") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of non-financial assets (Continued)

(b) *Intangible assets*
Property, plant and equipment (including right-of-use assets)
Investments in subsidiary corporations

Intangible assets, property, plant and equipment (including right-of-use assets) and investments in subsidiary corporations are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

For an asset other than goodwill, management assesses at the end of the reporting period whether there is any indication that an impairment recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated and may result in a reversal of impairment loss. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets

(a) *Classification and measurement*

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

<u>At initial recognition</u>

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

<u>At subsequent measurement</u>

(i) *Debt instruments*

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables, service concession receivables and unlisted debt securities.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

(a) *Classification and measurement* (Continued)

At subsequent measurement (Continued)

(i) *Debt instruments* (Continued)

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

- FVOCI: Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income ("**OCI**") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "Other gains/(losses), net – Others". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income".

- FVPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "Other gains/(losses), net – Others".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

(a) Classification and measurement (Continued)

At subsequent measurement (Continued)

(ii) Equity investments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "Other gains/(losses), net – Others", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value changes – equity investments" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "dividend income".

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 31(a) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables and service concession receivables, the Group applies the simplified approach permitted by the SFRS(I) 9 *Financial Instruments*, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other financial assets at amortised cost, the general 3 stage approach is applied. Credit loss allowance is based on 12-month expected credit losses if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime expected credit losses will be calculated and recognised.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

(c) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

2.12 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.14 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.15 Leases

When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

(i) Right-of-use assets

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payment made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use assets is subsequently depreciated using the straight-line method or declining balance method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets are presented within "Property, plant and equipment".

(ii) Lease liabilities

The initial measurement of a lease liability is measured at the present value of the lease payments discounted using the interest rate implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (Continued)

When the Group is the lessee: (Continued)

(ii) Lease liabilities (Continued)

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

Lease liabilities are measured at amortised cost using the effective interest method. Lease liabilities shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There is modification in the scope or the consideration of the lease that was not part of the original term.

Lease liabilities are remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (Continued)

When the Group is the lessee: (Continued)

(iii) Short term and low value leases

The Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

(iv) Variable lease payments

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value, except for production consumables which are recorded at the lower of cost and replacement cost which approximates net realisable value.

Cost of raw materials is determined using the weighted-average method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of finished goods and work-in-progress comprises cost of raw materials, direct labour, other direct costs and an appropriate proportion of manufacturing overheads (based on normal operating capacity) but excludes borrowing costs.

Where necessary, damaged, obsolete and slow-moving items are written-down to net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.17 Income taxes (Continued)

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, investment and reinvestment allowance) similar to accounting for other tax credits where a deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.18 Provisions

Provisions for warranty and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

A provision for future potential warranty costs is calculated using historical trends and future expectations of future claims. Adjustments to the warranty provision are included in cost of sales. Actual future warranty costs may differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.18 Provisions (Continued)

Other provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expenses.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

An asset retirement obligation is a legal obligation associated with the remediation of tangible long-lived assets that the Group may be required to settle. The Group's assets retirement obligations are primarily associated with the treating facility drip pad at the Washougal (United States) location of Exterior Wood, Inc., a subsidiary corporation of Taiga that Taiga is obligated to remediate. The Group recognises the best estimate of the fair value of the liability, with a corresponding increase in the carrying value of the related asset. The liability, recorded in current liabilities, is estimated based on a number of assumptions requiring management's judgement, including estimated costs to be incurred, inflation rates and discount rates, and is accreted to its projected future value over time. The capitalised asset is depreciated over its useful life. Upon satisfaction of the asset retirement obligations, the differences between the recorded asset retirement obligation liability and the actual retirement costs incurred are recognised as a gain or loss in the consolidated statement of comprehensive income.

2.19 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund in Singapore and Employee Provident Fund in Malaysia on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on grant date. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.19 Employee compensation (Continued)

(b) *Share-based compensation* (Continued)

At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued, or to the "Treasury shares" account, when treasury shares are re-issued to the employees.

(c) *Profit sharing and bonus plan*

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises an accrual when it is contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay.

(d) *Short-term compensated absences*

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for unutilised annual leave as a result of services rendered by employee up to the balance sheet date.

2.20 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiary corporations. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiary corporations fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-group transactions are eliminated on consolidation.

Financial guarantees contracts are initially measured at fair value and subsequently measured at the higher of:

(a) amount initially recognised less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

(b) the amount of expected loss allowance computed using the impairment methodology under Note 2.11.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.21 Deferred gain

Deferred gains on sale and leaseback transactions are amortised over the lease terms of the buildings, which are being accounted for as lease liability. Amortisation is included in "Other gains/(losses), net – Others".

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

2.22 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted-average number of ordinary shares outstanding during the financial year, adjusted for own shares held.

2.23 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("**functional currency**"). The financial statements are presented in Singapore Dollar ("**$**"), which is the functional currency of the Company.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("**foreign currency**") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Monetary items include primarily financial assets (other than equity investments), contract assets and financial liabilities. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.23 Currency translation (Continued)

(b) Transactions and balances (Continued)

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within "Finance expenses". All other foreign exchange gains and losses impacting profit or loss are presented in the statement of comprehensive income within "Other gains/(losses), net – Others".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Translation of Group's entities financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the balance sheet date;

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker whose members are responsible for allocating resources and assessing performance of the operating segments.

2.25 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.26 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("**treasury shares**"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to an employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

2.27 Dividends to Company's shareholders

Dividends to Company's shareholders are recognised when the dividends are approved for payment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.28 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

(a) Impairment of goodwill

In performing the impairment assessment of the carrying amount of goodwill, as disclosed in Note 12(a), the recoverable amounts of the cash-generating units ("**CGUs**") in which goodwill has be attributable to, are determined using value-in-use ("**VIU**") calculations.

Significant judgements are involved in estimating the pre-tax discount rates, gross margin and growth rates applied in computing the recoverable amounts of different CGUs. Specific estimates are disclosed in Note 12(a).

The Group has assessed that any reasonably possible change in the key assumptions used in the VIU calculation does not materially cause the recoverable amount to be lower than its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3.1 Critical accounting estimates and assumptions (Continued)

(b) *Impairment of property, plant and equipment*

The Group assesses at the end of each reporting period whether there is any indication that property, plant and equipment may be impaired. During the current financial year, property, plant and equipment related to the paper manufacturing business were tested for impairment due to 2 consecutive years of losses incurred by the paper manufacturing business.

As disclosed in Note 8, the recoverable amounts of the CGU which the assets belong are determined based on VIU calculations. The VIU calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions are as follows:

Terminal year growth rate	2.0%
Pre-tax discount rate	12.1%

The sensitivity analysis below has been determined based on reasonably possible changes of the key assumptions occurring at the end of the reporting period while holding all other assumptions constant.

- If the terminal year growth rate decreased/increased by 1% with all other variables including tax rate being held constant, the impairment loss would approximately increase/decrease by $804,000.

- If the discount rate increased/decreased by 1% with all other variables including tax rate being held constant, the impairment loss would approximately increase/decrease by $1,205,000.

In 2022, the Group carried out the impairment testing on property, plant and equipment related to the paper manufacturing business based on the assessment of the fair value of the respective assets less costs to sell. Estimating the fair value less costs to sell requires the Group to make reference to market prices of the property, plant and equipment that are publicly available adjusted with certain assumptions made by management.

The carrying amount of the Group's property, plant and equipment is disclosed in Note 8.

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3.1 Critical accounting estimates and assumptions (Continued)

(c) Carrying amount of service concession receivables

The service concession receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. The effective interest method uses a set of estimated future cash flows through the expected life of the financial asset using all of the financial asset's contractual terms, rather than contractual cash flows.

Estimation is exercised in preparing and forecasting the future cash flows and may have an impact to the financial statements. The Group is required to reflect the actual cash and revised estimated cash flows whenever circumstances require the Group to revise its cash flow estimates and an adjustment to the carrying amount of the financial asset.

The assumptions used and estimates made can materially affect the carrying amount of the service concession receivables. The carrying amount of the Group's receivables arising from service concession arrangement at the end of the reporting period is disclosed in Note 6.

If the actual cash flows differ by 5% (2022: 5%) from management estimates, the carrying amount of the service concession receivables will be increased/decreased by $252,000 (2022: $50,000) and correspondingly to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3.1 Critical accounting estimates and assumptions (Continued)

(d) *Current and deferred tax*

The Group calculates current and deferred income tax provisions for each of the jurisdictions in which it operates. Actual amounts of income tax expense are not final until tax returns are filed and accepted by the relevant authorities and ultimately until they are statute barred from reassessment. This occurs subsequent to the issuance of financial statements. Therefore, results in subsequent periods will be affected by the amount that estimates differ from the final tax filings, resolution of uncertain tax positions, open years or tax disputes that may arise.

The Group is required to make estimates and assumptions when assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. The Group also evaluates the recoverability of deferred tax assets based on an assessment of the likelihood of using the underlying future tax deductions against future taxable income before they expire. Deferred tax liabilities arising from temporary differences on investments in subsidiary corporations are recognised unless the reversal of the temporary differences is not expected to occur in the foreseeable future and can be controlled. Assumptions about the generation of future taxable profits and repatriation of retained profits depend on management's estimates. These estimates and judgements are subject to risk and uncertainty and could result in an adjustment to the deferred tax provision and a corresponding credit or charge to profit or loss. New information may become available that causes the Group to change its judgement and estimates regarding the adequacy of provisions related to income and other taxes. Any changes will be recorded prospectively in the period that such determinations are made.

The Group's and the Company's deferred income taxes, unrecognised tax losses, capital allowances, reinvestment allowance and merger and acquisition allowances are set out in Note 19. The amount of income tax recoverable/expense recognised is disclosed in Note 27.

3.2 Critical judgements in applying the entity's accounting policies

(a) *Loss allowance of trade and service concession receivables*

As at 31 December 2023, the Group's trade and service concession receivables before loss allowance amounted to $119,289,000 (2022: $119,426,000) (Note 5) and $25,032,000 (2022: $27,874,000) (Note 6) respectively, arising from the Group's different revenue segments – wholesale of building products, trading of paper products and power plant operations.

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3.2 Critical judgements in applying the entity's accounting policies (Continued)

(a) *Loss allowance of trade and service concession receivables* (Continued)

Based on the Group's historical credit loss experience, trade and service concession receivables exhibited significantly different loss patterns for each revenue segment. Management has determined the expected loss rates by grouping the receivables according to the category of internal credit rating of each segment. A loss allowance of $984,000 (2022: $1,379,000) (Note 5) and $13,707,000 (2022: $Nil) (Note 6) for trade and service concession receivables respectively were recognised as at 31 December 2023.

The Group's and the Company's credit risk exposure for trade and service concession receivables are set out in Note 31(a)(i).

(b) *Valuation of inventories*

Inventories are carried at the lower of cost and net realisable value, except for production consumables which are recorded at the lower of cost and replacement cost which approximates net realisable value. The Group reviews the ageing analysis of inventories at each balance sheet date, and obsolete and slow moving inventory items identified that are no longer suitable for sale are write-down. The net realisable value for such inventories are estimated based primarily on the latest product prices and current market conditions. The carrying amount of the Group's inventories is disclosed in Note 7.

(c) *Critical judgement over the lease terms*

As at 31 December 2023, the Group's lease liabilities, which are measured with reference to an estimate of the lease terms, amounted to $95,252,000 (2022: $96,982,000), of which $70,296,000 (2022: $69,857,000) arose from extension options. Extension options are included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise the extension option.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3.2 Critical judgements in applying the entity's accounting policies (Continued)

(c) *Critical judgement over the lease terms* (Continued)

For leases of warehouse and factory, the following factors are considered to be most relevant:

- If any leasehold improvements are expected to have a significant remaining value, the Group typically includes the extension option in lease liabilities;
- If the warehouse and factory are located in strategic locations that will contribute to the continued profitability of the business segment, the Group typically includes the extension option in lease liabilities;
- Otherwise, the Group considers other factors including its historical lease periods for similar assets, costs required to obtain replacement assets, and business disruptions.

The assessment of reasonable certainty to exercise extension options is only revised if a significant change in circumstances occurs which affects this assessment, and that is within the control of the lessee. There is no change in the Group's assessment of extension option which has an impact on the recognised lease liabilities and right-of-use assets during the financial year.

4 CASH AND CASH EQUIVALENTS

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Cash at bank and on hand	112,156	99,627	5,625	2,130
Short-term bank deposits	59,938	188	6	5
	172,094	99,815	5,631	2,135

Cash and cash equivalents denominated in foreign currency other than the functional currencies of the Group's entities at balance sheet date are as follows:

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
United States Dollar	4,648	3,629	1,681	1,016

4 CASH AND CASH EQUIVALENTS (CONTINUED)

On 21 December 2022, the Group 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 bears 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.

5 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables – non-related parties	119,289	119,426	–	78
Less: Loss allowance (Note 31(a)(i))	(984)	(1,379)	–	–
Trade receivables – net	118,305	118,047	–	78
Non-trade amounts due from subsidiary corporations	–	–	129,373	136,711
Deposits	72	75	53	39
Prepayments	5,597	5,191	17	22
Other receivables – non-related parties	5,750	9,830	–	5
	11,419	15,096	129,443	136,777
Less: Loss allowance (Note 31(a)(ii))	–	–	(21,696)	–
	11,419	15,096	107,747	136,777
	129,724	133,143	107,747	136,855

Trade receivables of $113,984,000 (2022: $111,999,000) of the Group are pledged as security for the revolving credit facility of the Group (Note 4).

Trade receivables are non-interest bearing and are generally on 30 to 120 days' credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The non-trade amounts due from subsidiary corporations are unsecured, interest-free and repayable on demand. A loss allowance of $21,696,000 (2022: $Nil) is recognised for the financial year ended 31 December 2023.

Trade and other receivables denominated in foreign currencies other than the functional currencies of the Group's entities at the balance sheet date are as follows:

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollar	351	725	31	78
Canadian Dollar	–	–	89,913	96,399

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

6 SERVICE CONCESSION RECEIVABLES

	Group	
	2023	**2022**
	$'000	**$'000**
Service concession receivables	25,032	27,874
Less: Loss allowance (Note 31 (a)(i))	(13,707)	–
	11,325	27,874

	Group	
	2023	**2022**
	$'000	**$'000**
Current		
Service concession receivables	15,684	15,982
Less: Loss allowance	(4,359)	–
	11,325	15,982
Non-current		
Service concession receivables	9,348	11,892
Less: Loss allowance	(9,348)	-
	–	11,892
Total	11,325	27,874

During the financial year, the Group recognised finance income of $3,090,000 (2022: $3,800,000) as revenue from service concession arrangement (Note 22). The effective interest rate applied is 12% (2022: 12%) per annum.

The carrying amount of the non-current portion of service concession receivables approximates its fair value.

The service concession receivables are denominated in the functional currency of the subsidiary corporation, i.e. United States Dollar.

Service concession arrangement

In 2014, the Group through its subsidiary corporation has entered into a service concession arrangement with Electric Power Generation Enterprise ("**EPGE**"), a governmental body of the Republic of the Union of Myanmar (the grantor) to provide electricity generated by it to EPGE on a take or pay and Build-Operate-Transfer ("**BOT**") basis.

6 SERVICE CONCESSION RECEIVABLES (CONTINUED)

Under the service concession arrangement, the Group is responsible for the construction of the gas-fired electricity generating power plant (the "**plant**") in Ywama (Yangon), Myanmar. Upon completion of the construction, the Group is responsible for operating the plant and sale of electrical energy generated by it to EPGE, the off-taker. The concession period for the plant is 30 years. During the concession period, the Group receives guaranteed minimum annual payments from EPGE. These guaranteed minimum annual payments are recognised as financial receivables to the extent that the Group has contractual rights under the concession arrangements. The financial receivables are measured on initial recognition at their fair value.

The service concession agreement contains a renewal option. Subject to the terms and conditions of the service concession arrangement, the Group and EPGE have the right to terminate the agreement. At the end of the concession period, the title to the plant will be transferred to EPGE.

As at 31 December 2023, an loss allowance of $13,707,000 (2022: $Nil) was made following management's assessment of credit risk under SFRS(I) 9. Although there is no default on payment, the Group has determined that the credit risk on the service concession receivables has increased significantly, taking into consideration forward-looking information on the risk of foreign currency shortages, a weakening economy and since October 2022, Myanmar has been included by the Financial Action Task Force in its list of "High-Risk Jurisdictions subject to a Call for Action". In addition, the governments of various countries have issued sanctions against Myanmar. Accordingly, lifetime ECL is applied on the service concession receivables as disclosed in Note 31(a)(i).

7 INVENTORIES

	Group	
	2023	**2022**
	$'000	**$'000**
<u>At cost</u>		
Building products:		
– Allied building products	34,528	50,038
– Lumber products	104,660	135,108
– Panel products	30,129	36,811
Paper products:		
– Finished goods	6,328	7,518
– Raw materials	1,856	2,167
Work-in-progress		
Production consumables	5,185	2,861
	182,686	234,503

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

7 INVENTORIES (CONTINUED)

The cost of inventories recognised as an expense and included in "cost of sales" amounted to $1,409,130,000 (2022: $1,950,600,000). The Group has recognised a write-down on its slow-moving inventories amounting to $1,187,000 (2022: $4,727,000) (Note 24).

Inventories of $174,060,000 (2022: $224,312,000) of the Group have been pledged as security for the revolving credit facility of the Group (Note 4).

8 PROPERTY, PLANT AND EQUIPMENT

	Freehold land $'000	Leasehold land, buildings and leasehold improvements $'000	Treating equipment, warehouse equipment and plant and machinery $'000	Furniture, fixtures and office equipment $'000	Motor vehicles $'000	Computer system and license $'000	Total $'000
Group							
2023							
Cost							
Beginning of financial year	9,213	135,842	84,637	4,816	2,140	8,794	245,442
Additions	–	3,902	4,131	1,312	560	214	10,119
Disposals	–	(263)	(1,045)	(143)	(434)	(72)	(1,957)
ROU disposals	–	–	(244)	–	–	–	(244)
Written off	–	–	–	(23)	–	–	(23)
Currency translation differences	(266)	(728)	(3,786)	(390)	(101)	24	(5,247)
End of financial year	8,947	138,753	83,693	5,572	2,165	8,960	248,090
Accumulated depreciation and impairment losses							
Beginning of financial year	–	31,424	49,334	1,681	1,491	4,743	88,673
Charge for the financial year (Note 24)	–	7,077	4,272	529	1,104	829	13,811
Disposals	–	(262)	(1,008)	(110)	(434)	(31)	(1,845)
ROU disposals	–	–	(243)	–	–	–	(243)
Written off	–	–	–	(23)	–	–	(23)
Impairment losses recognised in profit or loss (Note 23)	–	–	14,456	–	–	–	14,456
Currency translation differences	–	(501)	(2,572)	(79)	(105)	19	(3,238)
End of financial year	–	37,738	64,239	1,998	2,056	5,560	111,591
Net book value							
End of financial year	8,947	101,015	19,454	3,574	109	3,400	136,499

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land $'000	Leasehold land, buildings and leasehold improvements $'000	Treating equipment, warehouse equipment and plant and machinery $'000	Furniture, fixtures and office equipment $'000	Motor vehicles $'000	Computer system and license $'000	Work in progress $'000	Total $'000
Group								
2022								
Cost								
Beginning of financial year	9,578	142,880	82,881	3,931	1,626	8,563	100	249,559
Additions	–	1,613	7,161	1,698	605	749	66	11,892
Disposals	–	(364)	(858)	(291)	–	–	–	(1,513)
ROU disposals	–	(75)	(329)	–	–	–	–	(404)
Written off	–	(370)	–	(245)	–	–	–	(615)
Reclassification	–	–	161	–	–	–	(161)	–
Currency translation differences	(365)	(7,842)	(4,379)	(277)	(91)	(518)	(5)	(13,477)
End of financial year	9,213	135,842	84,637	4,816	2,140	8,794	–	245,442
Accumulated depreciation and impairment losses								
Beginning of financial year	–	26,548	41,647	1,693	1,324	4,406	–	75,618
Charge for the financial year (Note 24)	–	7,243	5,199	579	232	659	–	13,912
Disposals	–	(363)	(830)	(251)	–	–	–	(1,444)
ROU disposals	–	(75)	(281)	–	–	–	–	(356)
Written off	–	(370)	–	(236)	–	–	–	(606)
Impairment losses recognised in profit or loss (Note 23)	–	–	6,141	–	–	–	–	6,141
Currency translation differences	–	(1,559)	(2,542)	(104)	(65)	(322)	–	(4,592)
End of financial year	–	31,424	49,334	1,681	1,491	4,743	–	88,673
Net book value								
End of financial year	9,213	104,418	35,303	3,135	649	4,051	–	156,769

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold building $'000	Furniture, fixtures, and office equipment $'000	Motor vehicles $'000	Total $'000
Company				
2023				
Cost				
Beginning of financial year	388	79	435	902
Additions	–	15	560	575
Disposals	–	–	(435)	(435)
Written off	–	(13)	–	(13)
End of financial year	388	81	560	1,029
Accumulated depreciation				
Beginning of financial year	54	78	362	494
Charge for the financial year	130	3	82	215
Disposals	–	–	(435)	(435)
Written off	–	(13)	–	(13)
End of financial year	184	68	9	261
Net book value				
End of financial year	204	13	551	768
2022				
Cost				
Beginning of financial year	370	79	435	884
Additions	388	2	–	390
Written off	(370)	(2)	–	(372)
End of financial year	388	79	435	902
Accumulated depreciation				
Beginning of financial year	298	75	275	648
Charge for the financial year	126	5	87	218
Written off	(370)	(2)	–	(372)
End of financial year	54	78	362	494
Net book value				
End of financial year	334	1	73	408

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the financial year ended 31 December 2023, the Group's additions to property, plant and equipment included:

a) $4,253,000 (2022: $3,287,000) acquired under right-of-use assets under leasing arrangements. These are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 9(a).

b) an asset retirement obligation of $Nil (2022: $2,510,000) for remediation work required at Washougal location of Exterior Wood, Inc., an indirect subsidiary of the Group via Taiga building Products Limited. The 2022 amount was net of $2,878,000 in escrow funds received from the previous owners of Exterior Wood, Inc. in January 2023 and recorded as a receivable as at 31 December 2022. A corresponding liability of $5,288,000 (2022: $5,388,000) is recorded under provisions in Note 13.

c) $Nil (2022: $160,000) that were payable as at 31 December 2023 recorded under accrued operating expenses in Note 13.

As of 31 December 2023, the development costs of the computer systems projects that are not ready for use were $1,878,000 (2022: $1,159,000). No depreciation has been recognised on the components that are not ready for use.

During the financial year, the Group recorded an impairment loss of $14,456,000 (2022: $6,141,000) on the plant and machinery relating to the Group's paper mill reportable segment as the carrying value exceeded the recoverable amount of the cash-generating unit in Malaysia. The recoverable amount is estimated through its value-in-use calculation, which are determined using a pre-tax discount rate of 12.1% and a terminal year growth rate of 2%, as per the 5 years financial budget approved by management. In 2022, the impairment test carried out by the Group was based on the assessment of the fair value of the respective assets less costs to sell. Estimating the fair value less cost to sell requires the Group to make a reference to market prices of the property, plant and equipment that are publicly available adjusted with certain assumptions made by management.

9 LEASES – THE GROUP AS A LESSEE

Nature of the Group's leasing activities

Leasehold land, buildings and leasehold improvements

The Group leases warehouse for storage and distribution needs. These leasehold land, buildings and leasehold improvements are recognised within Property, plant and equipment (Note 8).

There is no externally imposed covenant on these lease arrangements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

9 LEASES – THE GROUP AS A LESSEE (CONTINUED)

Nature of the Group's leasing activities (Continued)

Treating equipment, warehouse equipment and plant and machinery

The Group leases equipment to produce pressure-treated wood products at its wood preservation plants.

(a) *Carrying amounts*

ROU assets classified within Property, plant and equipment

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Leasehold land, buildings and leasehold improvements	82,309	84,467	205	334
Treating equipment, warehouse equipment and plant and machinery	5,216	6,035	–	–
Furniture, fixtures and office equipment	24	22	13	1
	87,549	90,524	218	335

(b) *Depreciation charge during the financial year*

	Group	
	2023	**2022**
	$'000	**$'000**
Leasehold land, buildings and leasehold improvements	5,436	5,757
Treating equipment, warehouse equipment and plant and machinery	2,028	2,050
Furniture, fixtures and office equipment	13	13
	7,477	7,820

(c) *Interest expense*

Interest expense on lease liabilities of the Group for the financial year ended 31 December 2023 was $5,050,000 (2022: $5,389,000).

9 LEASES – THE GROUP AS A LESSEE (CONTINUED)

Nature of the Group's leasing activities (Continued)

Treating equipment, warehouse equipment and plant and machinery (Continued)

(d) Lease expense not capitalised in lease liabilities

	Group	
	2023	**2022**
	$'000	**$'000**
Lease expense – short-term leases	83	89

(e) Total cash outflow for all the leases during the financial year ended 31 December 2023 for the Group was $11,404,000 (2022: $11,442,000).

(f) Additions of ROU assets during the financial year ended 31 December 2023 for the Group was $4,253,000 (2022: $3,287,000).

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Leasehold land, buildings and leasehold improvements	3,155	487	–	388
Treating equipment, warehouse equipment and plant and machinery	1,083	2,800	–	–
Furniture, fixtures and office equipment	15	–	15	–
	4,253	3,287	15	388

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

10 FINANCIAL ASSETS, AT FVPL

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Beginning of financial year	220	220	220	220
Additions	12,223	–	–	–
Fair value loss (Note 23)	(918)	–	(220)	–
Currency translation differences	(317)	–	–	–
End of financial year	11,208	220	–	220
Non-current				
Non-listed securities:				
– Equity securities – private Asian Real Estate Fund	8,813	220	–	220
– Debt securities – private guaranteed bond	2,395	–	–	–
	11,208	220	–	220

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

The investment in a private guaranteed bond bears an interest rate of 8% per annum, along with a share of revenues maturing on 29 December 2026.

11 INVESTMENTS IN SUBSIDIARY CORPORATIONS

	Company	
	2023	2022
	$'000	$'000
Equity investments at cost		
Beginning of financial year	15,422	34,854
Disposals	–	(19,432)
End of financial year	15,422	15,422
Allowance for impairment		
Beginning of financial year	–	–
Addition	(3,404)	–
End of financial year	(3,404)	–
Carrying amount	12,018	15,422

11 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

During the financial year, the Company recorded an impairment loss of $3,404,000 (2022: $Nil) on the investment in a subsidiary corporation as the carrying value exceeded the recoverable amount.

On 2 March 2022, the Company had completed an internal restructuring exercise as follows:

a) the sale and transfer of: (i) 2,330 Class B Common shares and (ii) 9,216,100 Class B Preferred shares (collectively the "**Avarga Canada Shares**") in the capital of Avarga Canada Limited ("**Avarga Canada**") with a carrying amount of $14,593,000 to Avarga Investment Pte. Ltd. ("**AIPL**"), a wholly-owned subsidiary of the Company; and

b) the sale and transfer of 20,000 shares (the "**UPP Luxco Shares**") representing the entire issued and paid-up share capital of UPP Investment Luxembourg S.a.r.l. ("**UPP Luxco**") with a carrying amount of $4,839,000 to AIPL.

The Company remains the sole beneficial owner of the Avarga Canada Shares and the UPP Luxco Shares both before and after the completion of the internal restructuring exercise.

The Group has the following subsidiary corporations as at 31 December 2023 and 2022:

Name of companies	Country of business/ incorporation	Principal activities	Proportion of ordinary shares directly held by Parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2023 %	2022 %	2023 %	2022 %	2023 %	2022 %
Held by the Company								
UPP Industries Pte. Ltd.[1]	Singapore	Investment holding	100	100	100	100	–	–
UPP Greentech Pte. Ltd.[1]	Singapore	Investment holding	100	100	100	100	–	–
Avarga Investment Pte. Ltd.[1]	Singapore	Investment holding	100	100	100	100	–	–

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11 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Name of companies	Country of business/ incorporation	Principal activities	Proportion of ordinary shares directly held by Parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2023 %	2022 %	2023 %	2022 %	2023 %	2022 %
Held through subsidiary corporations								
Avarga (M) Sdn. Bhd.[2]	Malaysia	Investment holding	–	–	100	100	–	–
UPP Pulp & Paper (M) Sdn. Bhd [3]	Malaysia	Manufacture and sale of paper products and trading in recycled fibre	–	–	100	100	–	–
UPP Recycled Fibre (M) Sdn. Bhd.[3]	Malaysia	Dormant	–	–	100	100	–	–
UPP Paper Sdn. Bhd.[3]	Malaysia	Dormant	–	–	100	100	–	–
UPP Power (Myanmar) Limited[4]	Myanmar	Design, operate and maintain power plants for electricity generation and sell the electricity produced to the Myanmar Government	–	–	100	100	–	–
Avarga Canada Limited[4]	Canada	Investment holding	–	–	100	100	–	–
Taiga Building Products Ltd. and its subsidiary corporations[5]	Canada	Independent wholesale distributor of building products	–	–	72	71.8	28	28.2

[1] Audited by Moore Stephens LLP, Singapore.

[2] Audited by SSY Partners Chartered Accountants, Malaysia, a member firm of Nexia International.

[3] Audited by Deloitte PLT, Malaysia.

[4] Reviewed by Moore Stephens LLP, Singapore for consolidation purposes.

[5] Audited by Dale Matheson Carr-Hilton Labonte, LLP, Vancouver, an independent member firm associated with Moore Global Network Limited of which Moore Stephens LLP, Singapore is a member.

11 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Carrying value of non-controlling interests

	Group	
	2023	2022
	$'000	$'000
Taiga Building Products Ltd. ("**Taiga**") and its subsidiary corporations	111,606	103,466

Summarised financial information of a subsidiary corporation with material non-controlling interests

Set out below are the summarised financial information for a subsidiary corporation that has non-controlling interests that are material to the Group. This is presented before inter-company eliminations.

Taiga Building Products Ltd. and its subsidiary corporations

Summarised balance sheet as at 31 December

	2023	2022
	$'000	$'000
Current		
Assets	464,763	459,777
Liabilities	(131,126)	(152,016)
Total current net assets	333,637	307,761
Non-current		
Assets	182,872	182,361
Liabilities	(98,490)	(103,091)
Total non-current net assets	84,382	79,270
Net assets	418,019	387,031

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11 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Summarised statement of comprehensive income for the financial year ended 31 December

	2023 $'000	2022 $'000
Revenue	1,669,502	2,322,633
Profit before income tax	72,037	123,879
Income tax expense	(14,104)	(32,734)
Net profit	57,933	91,145
Other comprehensive income	(3,458)	7,345
Total comprehensive income	54,475	98,490
Total comprehensive income allocated to non-controlling interests	15,282	27,754
Dividends paid to non-controlling interests	6,978	–

Summarised cash flows for the financial year ended 31 December

	2023 $'000	2022 $'000
Net cash provided by operating activities	106,882	56,856
Net cash used in investing activities	(16,542)	(4,197)
Net cash used in financing activities	(31,486)	(27,898)

Transaction with non-controlling interests

Deemed acquisition of additional interest in a subsidiary corporation

During the financial year, Taiga acquired 216,310 (2022: 37,642) shares of its own in the open market for a cash consideration of C$601,040, i.e. approximately $605,000 (2022: C$94,007, i.e. approximately $93,000). This has resulted in a decrease in non-controlling interests of $697,000 (2022: $124,000) and an increase in equity attributable to owners of the Company of $92,000 (2022: $31,000). The effect of the Taiga shares buy-back transactions is summarised as follows:

	2023 $'000	2022 $'000
Carrying amount of non-controlling interests deemed acquired	697	124
Consideration transferred to non-controlling interests	(605)	(93)
Increase in equity attributable to owners of the Company	92	31

12 INTANGIBLE ASSETS

	Group	
	2023	2022
	$'000	$'000
Composition		
Goodwill (Note (a))	31,380	31,469
Customers relationships and brand name (Note (b))	11,762	16,245
Favourable lease terms (Note (c))	1,570	2,263
	44,712	49,977

(a) Goodwill

	Group	
	2023	2022
	$'000	$'000
Cost		
Beginning of financial year	31,469	33,005
Currency translation differences	(89)	(1,536)
End of financial year	31,380	31,469
Accumulated impairment		
Beginning and end of financial year	–	–
Net book value		
End of financial year	31,380	31,469

Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating-units ("**CGUs**") identified according to countries of operation and business segments as follows:

	Group	
	2023	2022
	$'000	$'000
Building products		
Canada	21,078	20,972
United States	10,302	10,497
	31,380	31,469

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

12 INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill (Continued)

Impairment test for goodwill (Continued)

The Group performed its impairment testing by comparing the carrying value of the CGU against its value-in-use.

The value-in-use of the CGU requires the use of assumptions. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated terminal growth rate of 1% and 3% (2022: 1% and 3%) for Canada and United States respectively. The value-in-use calculation includes cash flows relating to sustaining capital expenditures and working capital based on historical activity. Cash flows are discounted using a pre-tax discount rate of 9.7% and 11.0% (2022: 9.8% and 11.5%) for Canada and United States respectively.

Based on the impairment test, the value-in-use of both CGUs exceeded its respective carrying amounts. As a result, no allowance for impairment of goodwill was provided. There is a material degree of uncertainty with respect to the estimates of the recoverable amount of the CGU's net assets.

The Group has assessed that any reasonably possible change in the key assumptions used in the value-in-use calculation would not result in the carrying amount of each CGU to exceed its recoverable amount.

(b) Customers relationships and brand name

	Group	
	2023	**2022**
	$'000	**$'000**
Cost		
Beginning of financial year	39,754	41,368
Currency translation differences	(224)	(1,614)
End of financial year	39,530	39,754
Accumulated amortisation		
Beginning of financial year	23,509	20,348
Amortisation charge	4,276	4,501
Currency translation differences	(17)	(1,340)
End of financial year	27,768	23,509
Net book value		
End of financial year	11,762	16,245

12 INTANGIBLE ASSETS (CONTINUED)

(c) Favourable lease terms

	Group	
	2023	2022
	$'000	$'000
Cost		
Beginning of financial year	7,470	8,005
Currency translation differences	37	(535)
End of financial year	7,507	7,470
Accumulated amortisation		
Beginning of financial year	5,207	4,829
Amortisation charge	703	747
Currency translation differences	27	(369)
End of financial year	5,937	5,207
Net book value		
End of financial year	1,570	2,263

(d) Amortisation expense included in the statement of comprehensive income is analysed as follows:

	Group	
	2023	2022
	$'000	$'000
Administrative expenses (Note 24)	4,979	5,248

13 TRADE AND OTHER PAYABLES

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Trade payables – related parties	–	–	16	146
Trade payables – non-related parties	45,264	44,833	–	–
Accrued operating expenses	77,255	99,179	342	356
Other payables – non-related parties	140	131	79	76
Provisions (Note 18)	5,997	5,958	–	–
	128,656	150,101	437	578

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

13 TRADE AND OTHER PAYABLES (CONTINUED)

Trade and other payables denominated in foreign currencies other than the functional currencies of the Group's entities at the balance sheet date are as follows:

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
United States Dollar	9,907	3,348	16	146

14 DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2023 $'000	2022 $'000
Financial (liabilities)/assets at fair value through profit or loss which are held for trading		
– Lumber futures contract	(204)	220

The Group selectively utilises Chicago Mercantile Exchange Random Length lumber futures contracts. Each contract calls for mill delivery of 110,000 board feet (plus or minus 5,000 board feet) of random length 8-foot to 20-foot nominal 2-inch x 4-inch pieces. The contracts can be settled in cash or by delivery of a commodity.

15 BANK BORROWINGS

	Group	
	2023 $'000	2022 $'000
Current		
Unsecured borrowings	26,740	31,015

The exposure of the bank borrowings of the Group to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	Group	
	2023 $'000	2022 $'000
6 months or less	26,740	31,015

15 BANK BORROWINGS (CONTINUED)

Loan covenants

Some of the Group's loan arrangements are subject to covenant clauses, whereby the Group is required to meet certain key financial ratios.

16 LEASE LIABILITIES

A summary of the right-of-use lease obligations is as follows:

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Minimum lease payments due over the lives of the right-of-use leases:				
– Not later than one year	10,534	10,451	139	135
– Between one and five years	38,013	36,429	95	221
– Later than five years	94,399	102,039	–	–
	142,946	148,919	234	356
Less: Future finance charges	(47,694)	(51,937)	(6)	(13)
Present value of lease liabilities	95,252	96,982	228	343

The present values of lease liabilities are analysed as follows:

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Current				
– Not later than one year	5,670	5,561	134	128
Non-current				
– Between one and five years	21,380	19,254	94	215
– Later than five years	68,202	72,167	–	–
	89,582	91,421	94	215
Total	95,252	96,982	228	343

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

16 LEASE LIABILITIES (CONTINUED)

As at 31 December 2023, the Group leases certain buildings and operating equipment from non-related parties which are classified as right-of-use assets under the adoption of SFRS(I) 16. Lease payments represent blended payments consisting of principal and interest based on interest rates ranging from 3.9% to 6.2% (2022:3.9% to 6.2%).

For the financial year ended 31 December 2023, expenses for short term leases that were not capitalised as right-of-use assets totalled to $83,000 (2022: $89,000). These future payments are not included in the lease obligations above.

Some of the Group's equipment leases include variable charges based on usage. These variable components are expensed as they are incurred and are not included in the lease obligations.

Some of the Group's land and building leases that were capitalised as right-of-use assets include incremental lease payment increases based on the Consumer Price Index.

17 DEFERRED GAIN

The deferred gain relates to proceeds in excess of the net book value of certain buildings sold in the sale and leaseback transactions completed by Taiga prior to the Group's acquisition on 31 January 2017. The deferred gain is amortised over the lease terms of the buildings, which are being accounted for as lease liability. Amortisation for the financial year ended 31 December 2023 amounted to $118,000 (2022: $125,000) is included in "Other gains/(losses), net – Others" (Note 23).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

18 PROVISIONS

The following table summarises the movements in the provisions:

	Warranty and others $'000	Lease $'000	Total $'000
Group			
2023			
Beginning of financial year	5,858	361	6,219
Provision made	678	–	678
Provision utilised	(541)	(127)	(668)
Exchange on drip pad provision	(127)	–	(127)
Amortisation of discount	–	16	16
Currency translation differences	28	2	30
End of financial year	5,896	252	6,148
Included in trade and other payables (Note 13)	(5,896)	(101)	(5,997)
Non-current provisions	–	151	151
2022			
Beginning of financial year	763	500	1,263
Provision made	5,669	–	5,669
Provision utilised	(277)	(128)	(405)
Amortisation of discount	17	–	17
Currency translation differences	(314)	(11)	(325)
End of financial year	5,858	361	6,219
Included in trade and other payables (Note 13)	(5,858)	(100)	(5,958)
Non-current provisions	–	261	261

Warranty Provision

Provision for warranty is recognised for future potential warranty claims on faulty products which is calculated using historical trends and future expectations of future claims. Adjustments to the warranty provision are included in cost of sales. Actual future warranty costs may differ from those estimates.

Lease Provision

In September 2009, Taiga consolidated its warehouse operations in the Greater Toronto Area by closing a warehouse in Brampton and migrating this operation into its warehouse in Milton. The Brampton warehouse was a leased property, and the land component was accounted for as an operating lease prior to 1 January 2019. Taiga recorded a provision relating to this property, being the present value of the unavoidable net costs of exiting the lease. The final transaction to exit the lease was completed on 31 May 2012; however, there is a requirement to make ongoing payments to the lessor relating to this transaction which is reflected in the provision. The present value was determined using a pre-tax discount rate of 5.14%.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

19 DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same taxation authority.

The amounts, determined after appropriate offsetting are shown on the balance sheets as follows:

	Group	
	2023 $'000	2022 $'000
Deferred income tax assets		
To be recovered after one year	5,409	8,072
Deferred income tax liabilities		
To be settled after one year	(6,736)	(12,436)
Net deferred income tax liabilities		
To be settled after one year	(1,327)	(4,364)

The movement in the net deferred income tax account is as follows:

	Group	
	2023 $'000	2022 $'000
Beginning of financial year	(4,364)	(7,352)
Tax credited/(charged) to		
– Profit or loss (Note 27)	2,893	3,237
– Other comprehensive income	–	(423)
Currency translation differences	144	174
End of financial year	(1,327)	(4,364)

Deferred income tax resulted principally from temporary differences in the recognition of certain revenue and expenses items for financial and income tax reporting purposes and differences between the carrying amount and tax basis of assets recognised on the acquisition of Taiga and Exterior Wood, inc.

The Group has unrecognised tax losses, capital allowances, reinvestment allowances and mergers and acquisition allowances of approximately $17,530,000 (2022: $12,756,000), $3,411,000 (2022: $3,625,000), $8,145,000 (2022:$Nil) and $5,319,000 (2022: $5,319,000) respectively and the Company has unrecognised tax losses and merger and acquisition allowances of approximately $7,069,000 (2022: $5,226,000) and $5,319,000 (2022: $5,319,000) respectively at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses, capital allowances, reinvestment allowance and merger and acquisition allowances in their respective countries of incorporation. The tax losses, except for the amount of $8,998,000 (2022: $6,063,000) related to Avarga (M) Sdn. Bhd. and UPP Pulp & Paper (M) Sdn. Bhd., do not have expiration date. The tax losses of $5,705,000 (2022: $6,063,000) of Avarga (M) Sdn Bhd will expire between 2029 to 2032 and the tax losses of $3,293,000 (2022: $Nil) relating to UPP Pulp & Paper (M) Sdn. Bhd. will expire in 2034. The reinvestment allowance of $8,145,000 (2022: $Nil) relating to UPP Pulp & Paper (M) Sdn. Bhd. will expire in 2037. The capital allowances and merger and acquisition allowances have no expiry date.

19 DEFERRED INCOME TAXES (CONTINUED)

Deferred tax liabilities amounting to approximately $37,400,000 (2022: $30,900,000) have not been recognised in respect of taxes that will be payable upon distribution of earnings of certain foreign subsidiaries. The Group controls the distribution of these earnings and has determined that such earnings will not be distributed in the foreseeable future.

Deferred income tax assets/(liabilities) arise from the following:

	Opening balance $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Currency translation differences $'000	Closing balance $'000
Group					
2023					
Property, plant and equipment	(8,176)	6,169	–	830	(1,177)
Fair value adjustment on acquisition of subsidiary corporations	(6,014)	1,526	–	(28)	(4,516)
Unutilised investment and reinvestment allowances	3,489	(2,800)	–	(689)	–
Deferred gain on sale and leaseback	506	38	–	2	546
Others	5,831	(2,040)	–	29	3,820
	(4,364)	2,893	–	144	(1,327)
2022					
Property, plant and equipment	(9,012)	858	(423)	401	(8,176)
Fair value adjustment on acquisition of subsidiary corporations	(7,690)	1,236	–	440	(6,014)
Unutilised investment and reinvestment allowances	2,239	1,454	–	(204)	3,489
Deferred gain on sale and leaseback	575	(30)	–	(39)	506
Others	6,536	(281)	–	(424)	5,831
	(7,352)	3,237	(423)	174	(4,364)

NOTES TO THE FINANCIAL STATEMENTS

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20 SHARE CAPITAL AND TREASURY SHARES

	No. of ordinary shares		Amount	
	Issued share capital '000	Treasury shares '000	Share capital $'000	Treasury shares $'000
Group and Company				
2023				
Beginning and end of financial year	950,145	(41,832)	169,597	(12,130)
2022				
Beginning of financial year	950,145	(41,790)	169,597	(12,120)
Treasury shares purchased	–	(42)	–	(10)
End of financial year	950,145	(41,832)	169,597	(12,130)

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividend as and when declared by the Company.

The newly issued shares rank *pari passu* in all respects with the previously issued shares.

Treasury shares

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company has acquired Nil (2022: 42,300) shares in the Company in the open market during the financial year. The total amount paid to acquire the shares was $Nil (2022: $10,000). The treasury shares are presented as a component within shareholders' equity.

Share options

The Avarga Group Employees' Share Option Scheme 2018 (the "**Option Scheme**") for executive directors and confirmed employees of the Group (the "**Participant**") was approved by members of the Company at an Extraordinary General Meeting on 27 April 2018. The Option Scheme is administered by the Remuneration Committee ("**RC**").

The purpose of the Option Scheme is to provide an opportunity for employees of the Group who have contributed significantly to the growth and performance of the Group, as well as executive directors who satisfy the eligibility criteria as set out in the rules of the Option Scheme ("**Option Scheme Rules**"), to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to past contributions and services. Additionally, the Option Scheme will help the Group to attract and retain the services of appropriate, qualified and experienced employees who would be able to contribute to the Group's business and operations.

20 SHARE CAPITAL AND TREASURY SHARES (CONTINUED)

Share options (Continued)

Under the Option Scheme, any Executive Director or confirmed employee of the Group selected by the RC to participate in the Option Scheme in accordance with the Option Scheme Rules who have, among other things, been in the employment of the Group for a period of at least 12 months, or such shorter period as the RC may determine, shall be eligible to participate in the Option Scheme. Controlling shareholders and their associates are also eligible to participate in the Option Scheme. Under the Option Scheme, the number of shares comprised in options offered to a participant shall be determined at the absolute discretion of the RC, who shall take into account, where applicable, criteria such as the bonus earned by the participant in any particular year, rank, past performance, years of service and potential contribution of the participant.

The aggregate number of shares over which the RC may offer to grant options on any date, when added to:

(a) the aggregate number of new shares issued and issuable in respect of all other share-based incentive schemes of the Company (if any); and

(b) the number of treasury shares and subsidiary holdings delivered in respect of the options granted under all other share-based incentive schemes of the Company (if any),

shall not exceed 15% of the issued shares (excluding treasury shares and subsidiary holdings) of the Company on the date immediately preceding the date of grant.

The aggregate number of shares over which the RC may offer to grant options to the controlling shareholders and their associates under the Option Scheme, shall not exceed 25% of the shares available under the Option Scheme, provided always that the number of shares available to each controlling shareholder or each of his associates shall not exceed 10% of the shares available under the Option Scheme.

Subject to any adjustment pursuant to the Option Scheme Rules, the exercise price for each share in respect of which an option is exercisable shall be fixed by the RC at the market price as determined in accordance with the Option Scheme Rules.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

20 SHARE CAPITAL AND TREASURY SHARES (CONTINUED)

Share options (Continued)

The exercise price of the options is determined by the RC at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange for five market days immediately preceding the date of the grant. For the avoidance of doubt, the exercise price shall not be at a discount to the market price. Options granted shall only be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 100 shares or any multiple thereof), at any time, by an Option holder during the exercise period. Options granted shall be exercisable during a period commencing after the fourth anniversary of the date of grant of the option and expiring on the tenth anniversary of the date of grant of the option, subject to the following:

(a) Up to 25% only of the shares in respect of which that option is granted may be exercised during the period commencing from the date falling immediately after the fourth anniversary of the date of grant of that option and ending on the fifth anniversary of the date of grant of that option;

(b) Up to 25% only of the Shares in respect of which that option is granted may be exercised during the period commencing from the date falling immediately after the fifth anniversary of the date of grant of that option and ending on the sixth anniversary of the date of grant of that option;

(c) Up to 25% only of the shares in respect of which that option is granted may be exercised during the period commencing from the date falling immediately after the sixth anniversary of the date of grant of that option and ending on the seventh anniversary of the date of grant of that option;

(d) Up to 25% only of the shares in respect of which that option is granted may be exercised during the period commencing from the date falling immediately after the seventh anniversary of the date of grant of that option and ending on the tenth anniversary of the date of grant of that option;

provided always that all options shall be exercised by the tenth anniversary of the relevant date of grant, failing which all unexercised options shall immediately lapse and become null and void and a grantee shall have no claim against the Company.

A feature of the Option Scheme is that Options may be exercised after a Participant ceases to be employed by the Group (other than arising from misconduct on the part of the Option holder (as determined by the Committee in its absolute discretion)). This is because it is the Company's intention to use Options to pay a portion of a Participant's earned bonus entitlement instead of making such payment in cash, and the Participant would in effect have paid for the Option upon its grant since such Option represents the consideration he receives for that part of his earned bonus entitlement.

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20 SHARE CAPITAL AND TREASURY SHARES (CONTINUED)

Share options (Continued)

There were no options granted during the financial year, including options to controlling shareholders of the Company or their associates (as defined in the Listing manual of Singapore Exchange Securities Trading Limited), to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial year.

21 OTHER RESERVES

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Composition:				
Capital reserve	818	1,070	74	74
Currency translation reserve	(41,175)	(37,534)	–	–
	(40,357)	(36,464)	74	74

The capital reserve represents mainly the effects arising from changes in the Group' ownership interest in the subsidiary corporations that do not result in a loss of control over the subsidiary corporations, i.e. the difference between change in the carrying amounts of the non-controlling interests and the fair value of the consideration paid or received.

The currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Other reserves are non-distributable.

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22 REVENUE

	Group	
	2023	2022
	$'000	$'000
Sale of goods		
– Paper products	22,124	35,776
– Building products	1,669,502	2,322,633
Operating and maintenance income	5,262	6,128
Finance income (Note 6)	3,090	3,800
	1,699,978	2,368,337

23 OTHER (LOSSES)/GAINS, NET – OTHERS

	Group	
	2023	2022
	$'000	$'000
Impairment loss on property, plant and equipment (Note 8)	(14,456)	(6,141)
Gain on disposal of property, plant and equipment	200	10
Bad debts recovered	188	22
Currency exchange loss, net	(343)	(3,647)
Amortisation of deferred gain (Note 17)	118	125
Fair value loss on financial assets, at FVPL	(918)	–
Others	(354)	1,259
	(15,565)	(8,372)

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24 EXPENSES BY NATURE

	Group	
	2023	**2022**
	$'000	**$'000**
Fees on audit services paid/payable to:		
– Auditor of the Company	101	96
– Other auditors – network firms	452	337
– Other auditors – non-network firms	46	43
Fees on non-audit services paid/payable to:		
– Auditor of the Company	–	–
– Other auditors – network firms	104	117
– Other auditors – non-network firms	39	35
Purchase of inventories	1,358,500	1,947,271
Depreciation of property, plant and equipment (Note 8)	13,811	13,912
Amortisation of intangible assets (Note 12(d))	4,979	5,248
Directors' fees	2,229	4,845
Employee compensation (Note 25)	94,930	144,701
General office expenses	14,619	14,792
General and professional fees	1,626	2,900
Manufacturing overhead	1,454	2,727
Treating costs	13,207	11,359
Freight/transportation expenses	36,048	43,866
Utilities	9,270	10,693
Inventories write-down (Note 7)	1,187	4,727
Warehouse costs	18,083	18,658
Operating and maintenance fees	3,714	4,332
Other expenses	1,115	1,619
Changes in inventories	51,817	8,056
Total cost of sales, distribution and selling and administrative expenses	1,627,331	2,240,334

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

25 EMPLOYEE COMPENSATION

	Group	
	2023	**2022**
	$'000	**$'000**
Salaries, bonuses and wages	94,094	143,613
Employer's contribution to defined contribution plans	326	343
Other short-term benefits	510	745
	94,930	144,701

26 FINANCE EXPENSES

	Group	
	2023	**2022**
	$'000	**$'000**
Interest expense		
– Revolving credit facility and other short-term liabilities	1,757	2,221
– Lease liabilities and bank borrowings	5,050	5,679
– Subordinated notes	–	814
– Amortisation of financing costs	240	524
	7,047	9,238

27 INCOME TAX EXPENSE

	Group	
	2023	**2022**
	$'000	**$'000**
Tax expense attributable to profit is made up of:		
Profit for the financial year		
Current income tax		
– Singapore	–	–
– Foreign	17,035	33,772
	17,035	33,772
Deferred income tax (Note 19)	(2,893)	(3,237)
	14,142	30,535
(Over)/under provision in prior financial year		
Current income tax	(2,213)	2,763
	11,929	33,298

As at 31 December 2023, the Group recorded income tax recoverable which amounted to $14,284,000 (2022: $15,211,000) in accordance with the accounting policy as disclosed in Note 2.17.

27 INCOME TAX EXPENSE (CONTINUED)

A reconciliation between the income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2023 and 2022 is as follows:

	Group	
	2023	**2022**
	$'000	**$'000**
Profit before income tax	39,109	109,859
Tax at the domestic rates applicable to profit in the countries where the Group operates	9,814	30,919
Effects of:		
– Expenses not deductible for tax purposes	7,048	4,156
– Income not subject to tax	(4,232)	(4,867)
– (Over)/Under-provision of tax in prior financial years	(2,213)	2,763
– Effect of change in tax rate	(56)	(2)
– Deferred tax asset not recognised	1,558	337
– Others	10	(8)
Tax charge	11,929	33,298

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

28 EARNINGS PER SHARE

Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2023	**2022**
	$'000	**$'000**
Net profit attributable to equity holders of the Company ($'000)	10,927	50,875
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	908,314	908,333
Basic and diluted earnings per share (cents per share)	1.20	5.60

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29 RELATED PARTY TRANSACTIONS

(a) No transaction took place between the Group and related parties other than those disclosed elsewhere in the financial statements. Outstanding balances at 31 December 2023 and 2022 are unsecured and receivable within 12 months from balance sheet date and are disclosed in Note 5.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2023	**2022**
	$'000	**$'000**
Salaries and bonuses	5,724	10,984
Directors' fees	2,229	4,845
Employer's contribution to defined contribution plans	236	242
Other short-term benefits	3,184	5,148
	11,373	21,219
Comprise amounts paid/payable to:		
Directors of the Company	2,812	5,422
Directors of the subsidiary corporations	3,420	5,380
Other key management personnel	5,141	10,417
	11,373	21,219

30 CONTINGENT LIABILITIES

Financial support

The Company has given letters of financial support to certain subsidiary corporations in the Group with net current liabilities position at the balance sheet date to enable these subsidiary corporations to operate as going concern and to meet their liabilities as and when they fall due.

Other Outstanding Legal Matters

Certain subsidiary corporations in the Group are involved in various non-material legal actions and claims arising in the course of its business. The financial impact individually or in aggregate resulting from these actions and claims is not expected to be significant. The individual and aggregate outcomes cannot be determined at this time.

31 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk, capital risk and price risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's performance. It is, and has been throughout the current and previous financial year, the Group's and the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Group and the Company do not apply hedge accounting.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. Management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits in accordance with the objectives and underlying principles approved by the Board of Directors. The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group and arises principally from the Group's receivables from customers and service concession receivables. The Group adopts the policy of dealing only with:

- Customers of appropriate credit standing and history, and obtaining sufficient collateral where appropriate to mitigate credit risk; and

- High credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Management based on ongoing credit evaluation. The counterparty's payment pattern and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the Senior Management.

As at 31 December 2023, there are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions except for 100% (2022: 100%) of service concession receivables relate to one customer of the Group in Myanmar.

For derivative financial instruments (lumber futures contracts), management evaluates potential counterparties in advance of entering into such agreements and deals only with parties it anticipates will satisfy their obligations under the contracts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) ***Credit risk*** (Continued)

The credit ratings of the investments are monitored for credit deterioration.

As the Group and the Company do not hold collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet except as follows:

	Company	
	2023	**2022**
	$'000	**$'000**
Corporate guarantees provided to banks on subsidiaries' loans	22,233	25,421

(i) Trade and service concession receivables

Trade and service concession receivables are initially recognised at fair values and subsequently measured at amortised cost using the effective interest method, less an allowance for expected credit losses ("**ECL**").

The Group applies the simplified approach for determining the allowance for ECL for trade receivables, where lifetime ECL are recognised in the profit or loss at initial recognition of trade receivables and updated at each reporting date. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of the receivable. In measuring the expected credit losses, trade receivables are grouped based on their shared credit risk characteristics and ageing profiles.

The loss allowance for service concession receivables is measured at 12-month ECL. When credit risk has increased significantly since initial recognition, loss allowance is measured at lifetime ECL.

For ECL assessment of customers without credit ratings (or equivalent), the Group categorises receivables for potential write-off when the counterparty fails to make contractual payments more than 180 days past due. Where receivables are written-off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Subsequent recoveries of amount previously written-off are recognised in profit or loss.

For customers with credit ratings (or equivalent), the ECL rate is calculated based on probabilities of default assessed by management with reference to the information obtained from Standards and Poor's and Moody's. The Group monitors changes in credit risk by tracking published external credit ratings.

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(i) Trade and service concession receivables (Continued)

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated cash flows of financial asset have occurred. These events include probability of insolvency, significant financial difficulties of the customer and default or significant delay in payments.

When the Group determines whether the credit risk has increased significantly, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment, taking into account forward-looking information. Customer collectability is assessed on an ongoing basis and any resulting impairment losses are recognised in profit or loss.

The movements in credit loss allowance are as follows:

	Trade receivables $'000	Service concession receivables $'000	Total $'000
Group			
2023			
Balance at beginning of year	1,379	–	1,379
Loss allowance recognised in profit or loss during the financial year on:			
– Assets acquired/originated	220	13,707	13,927
– Written off	(610)	–	(610)
Currency translation differences	(5)	–	(5)
Balance at end of year	984	13,707	14,691
2022			
Balance at beginning of year	1,465	–	1,465
Loss allowance recognised in profit or loss during the financial year on:			
– Assets acquired/originated	614	–	614
– Written off	(578)	–	(578)
Currency translation differences	(122)	–	(122)
Balance at end of year	1,379	–	1,379

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) *Credit risk* (Continued)

(i) Trade and service concession receivables (Continued)

ECL assessment for customers with credit ratings (or equivalent)

	Equivalent to external credit rating	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Group				
2023				
Receivables measured at lifetime ECL				
Service concession receivables (Note)	CC	25,032	(13,707)	11,325
2022				
Receivables measured at 12-month ECL				
Service concession receivables	B	27,874	–	27,874

Note:
The loss allowance was made following management's assessment of credit risk under SFRS(I) 9. Although there is no default on payment, the Group has determined that the credit risk on the service concession receivables for UPP Power (Myanmar) Limited has increased significantly, taking into consideration forward-looking information on the risk of foreign currency shortages, a weakening economy and since October 2022, Myanmar has been included by the Financial Action Task Force in its list of "High-Risk Jurisdiction subject to a Call for Action". In addition, the governments of various countries have issued sanctions against Myanmar. Accordingly, lifetime ECL is applied on the service concession receivables of UPP Power (Myanmar) Limited.

(ii) Other financial assets, at amortised cost

The Group's and the Company's other financial assets recognised at amortised cost are mainly comprised of cash and cash equivalents and other receivables, i.e. non-trade amounts due from subsidiary corporations and deposits. These other financial assets are subject to immaterial credit loss.

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to these receivables in estimating the probability of default of each of these other financial assets.

For the purpose of impairment assessment, loss allowance is generally measured at an amount equal to 12-month ECL as there is low risk of default and strong capability to meet contractual cash flows. When the credit quality deteriorates and the resulting credit risk of other financial assets increase significantly since its initial recognition, the 12-month ECL would be replaced by lifetime ECL.

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) ***Credit risk*** (Continued)

(ii) Other financial assets, at amortised cost (Continued)

Other financial assets are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of other receivables to engage in a repayment plan with the Group or the Company, and a failure to make contractual payments.

No loss allowance against other financial assets, at amortised cost is recognised as the Group believes that the amounts are collectible, based on historical payment behaviour and credit-worthiness of these receivables. For the non-trade amounts due from subsidiary corporations, the Company considered the risk that a credit loss may occur, and recognised a loss allowance of $21.7 million (2022:$Nil).

The movements in credit loss allowance are as follows:

	2023 $'000	2022 $'000
Company		
Balance at beginning of year	–	–
Loss allowance recognised in profit or loss (Note 5)	21,696	–
Balance at end of year	21,696	–

(b) ***Liquidity risk***

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and Company's ability to make scheduled payments or refinance its obligations depends on the Group's successful financial and operating performance, cash flows and capital resources, which in turn depend upon prevailing economic conditions and certain financial, business and other factors.

The Group's and the Company's ability to maintain compliance with certain of its debt covenants under the banking facilities depends on meeting the required interest coverage ratio, which is subject to the Group's future financial and operating performance. The Group's and the Company's ability to repay or refinance its indebtedness will also depend on its future financial and operating performance. The Group's performance, in turn, will be subject to prevailing economic and competitive conditions, as well as financial, business, legislative, regulatory, industry and other factors, many of which are beyond our control. The Group's and the Company's ability to meet its debt service and other obligations may depend in significant part on the extent to which the Group can implement successfully its business growth and cost reduction strategies. The Group and the Company cannot provide any assurance that it will be able to implement its strategy fully or that the anticipated results of its strategy will be realised.

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) *Liquidity risk* (Continued)

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Group manages its liquidity risk by maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of stand-by credit facilities from banks. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and short-term deposits as disclosed in Note 4.

The Group monitors working capital projections regularly, taking into account the available banking and other borrowing facilities to ensure that the Group has adequate working capital to meet current requirements.

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year $'000	Between 1 to 5 years $'000	Over 5 years $'000
Group			
At 31 December 2023			
Trade and other payables	122,659	–	–
Bank borrowings	28,305	–	–
Lease liabilities	10,534	38,013	94,399
	161,498	38,013	94,399
At 31 December 2022			
Trade and other payables	144,143	–	–
Bank borrowings	32,810	–	–
Lease liabilities	10,451	36,429	102,039
	187,404	36,429	102,039
Company			
At 31 December 2023			
Trade and other payables	437	–	–
Lease liabilities	139	95	–
Financial guarantees contracts	22,233	–	–
	22,809	95	–
At 31 December 2022			
Trade and other payables	578	–	–
Lease liabilities	135	221	–
Financial guarantees contracts	25,421	–	–
	26,134	221	–

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) *Liquidity risk* (Continued)

The table below analyses the Group's trading portfolio derivatives financial (liabilities)/assets for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the expected settlement date. The amounts disclosed in the table are the net fair values, as the amounts at which an orderly settlement of the transactions would take place between market participants at the balance sheet date.

	2023	**2022**
	$'000	**$'000**
Group		
Less than 1 year		
Held for trading		
– Net-settled Lumber futures	(204)	220

(c) *Market risk*

(i) *Cash flow and fair value interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates.

The Group utilise significant leverage to finance day-to-day operations and for acquisition purposes. The interest costs of the Group's revolving credit facility and other bank borrowings are predominately based on the prime rate. The Group monitors current interest rates and selectively utilises interest rate swap agreements to manages these cash flow interest rate risk.

At the balance sheet date, if interest rates had been 100 (2022: 100) basis points higher/lower with all other variables including tax rate being held constant, based on the Group's average borrowing level, the profit after tax would have been lower/higher by $218,000 (2022: $253,000) as a results of higher/lower interest expense on these borrowings.

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

(ii) *Currency risk*

The Group operates in North America and Asia with dominant operations in Canada, United States, Singapore, Malaysia and Myanmar. Entities in the Group regularly transact in currencies other than their respective functional currencies ("**foreign currencies**").

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies other than functional currency such as the Canadian Dollar ("**CAD**"), United States Dollar ("**USD**"), Singapore Dollar ("**SGD**") and Malaysian Ringgit ("**MYR**").

The Group's and the Company's currency exposure based on the information provided to key management is as disclosed in Notes 4, 5 and 13. As at 31 December 2023 and 2022, the Group and the Company are not significantly exposed to SGD, MYR and USD.

In addition, the Group is exposed to currency translation risk on the net assets in foreign operations. Currency exposure to the net assets of the Group's foreign operations in Canada, Malaysia and Myanmar are managed primarily through borrowings denominated in the relevant foreign currencies. There is no formal hedging policy with respect to foreign currency exposures. Exposures to currency risk are monitored on an ongoing basis and the Group endeavors to keep the net exposure at an acceptable level.

If the CAD change against the SGD by 1% (2022: 7%) with all other variables including tax rate being held constant, the effects arising from the net financial asset/liability (excluding equity instruments) that are exposed to currency risk will be as follows:

	Increase/(decrease) Profit after tax	
	2023	**2022**
	$'000	**$'000**
Group		
CAD against SGD		
– Strengthened	241	2,083
– Weakened	(241)	(2,083)
Company		
CAD against SGD		
– Strengthened	746	5,601
– Weakened	(746)	(5,601)

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) ***Market risk*** (Continued)

(iii) *Price risk*

(a) *Commodity price risk*

The Group does not generally hedge its commodity price risk through the purchase of lumber futures contracts. Substantially all purchases are made based on current orders and anticipated sales, and most sales are made from inventory or against product on order. Inventory levels are monitored in an attempt to achieve balance between maximum inventory turnover and anticipated customer demand. Although the Group strives to reduce the risk associated with price changes by maximising inventory turnover, the Group maintains significant quantities of inventory, which is affected by fluctuating prices.

The Group selectively utilises Chicago Mercantile Exchange Random Length lumber futures contracts. Each contract calls for mill delivery of 110,000 board feet (plus or minus 5,000 board feet) of random length 8-foot to 20-foot nominal 2-inch x 4-inch pieces. The contracts can be settled in cash or by delivery of a commodity. These positions are immaterial relative to the Group's consolidated inventories.

(d) ***Capital risk***

The Group's objectives when managing capital are to safeguard the Group's ability to operate and grow its businesses, to provide a sufficient return to its shareholders, and to meet internal capital expenditure requirements and credit facility covenants. The revolving credit facilities and share capital are considered as the Group's capital.

In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2023 and 2022.

Management monitors capital based on a gearing ratio. The Group is also required by the banks to maintain a gearing ratio of not exceeding 2.0 times. The Group's policy is to keep the gearing ratio below 2.0 times.

NOTES TO THE FINANCIAL STATEMENTS

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) ***Capital risk*** (Continued)

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as bank borrowings plus lease liabilities, subordinated notes and revolving credit facility less cash and cash equivalents. Total capital is calculated as total equity less intangible assets.

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Net debt	(50,102)	28,182	(5,403)	(1,792)
Total capital	403,336	382,531	125,499	154,119
Gearing ratio (times)	N.M	0.07	N.M	N.M

N.M – Not meaningful as the Group is in a net cash position

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2023 and 2022. The Company is not subjected to capital requirements for the financial years ended 31 December 2023 and 2022.

(e) ***Fair value measurements***

The table below presents assets and liabilities recognised and measured at fair value and classified by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observables market data (unobservable inputs) (Level 3).

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) *Fair value measurements* (Continued)

	Level 1 $'000	Level 2 $'000	Level 3 $'000
Group			
31 December 2023			
Assets			
Financial assets, at FVPL	–	2,395	8,813
Liabilities			
Derivative financial instruments	–	(204)	–
31 December 2022			
Assets			
Financial asset, at FVPL	–	–	220
Derivative financial instruments	–	220	–
Company			
31 December 2023			
Asset			
Financial asset, at FVPL	–	–	–
31 December 2022			
Asset			
Financial asset, at FVPL	–	–	220

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy level as at the end of the reporting period.

There were no transfers between Levels 1 and 2 during the financial years ended 31 December 2023 and 2022.

The fair value of lumber futures contract is determined using market observable inputs at the balance sheet date. Derivative financial instruments are classified as Level 2.

NOTES TO THE FINANCIAL STATEMENTS

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value measurements (Continued)

Fair Value of Unlisted Securities

For investments that are not publicly traded, subsequent to initial recognition, the fair value of these investments is determined by the Group using the most appropriate valuation methodology in the light of the nature, facts and circumstances of the investment. Unlisted instruments are valued at cost for a limited period after the date of acquisition, if the purchase price remains representative of the fair value at the reporting date; otherwise, investments are valued using valuation techniques that are appropriate in the circumstance. The table below presents the valuation techniques and the nature of significant inputs used to determine the fair values of the Level 2 and Level 3 of financial assets, at FVPL as at 31 December 2023:

	Valuation method	Level	Input	Fair value change +/-10% ($'000)
Investment in a private Asian Real Estate Fund	Discounted cash flows	3	Fund specific information and discounted cash flow valuation, discount rate	881
Investment in a private guaranteed bond bearing interest at 8% per annum together with a share of revenues, maturing on 29 December 2026	Recent transaction price	2	Recent transaction price	240

The process of valuing investments for which no active market exist is inevitably based on inherent uncertainties, and the resulting values may differ significantly from values that would have been used had a ready market existed for the investments. These differences could be material to the fair value of investments.

There were no transfers between Levels 2 and 3 during the financial years ended 31 December 2023 and 2022.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts due to the short-term to maturity of these instruments. The carrying amounts of the long-term debts approximate to their fair values as these liabilities bear interest at variable market rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Financial instruments by category

The carrying amount of the different categorises of financial instruments is as disclosed on the face of the balance sheet and in Notes 10 and 14, except for the following:

	Group $'000	Company $'000
31 December 2023		
Financial assets, at amortised cost	307,546	113,361
Financial liabilities, at amortised cost	(244,651)	(665)
31 December 2022		
Financial assets, at amortised cost	255,641	138,968
Financial liabilities, at amortised cost	(272,140)	(921)

(g) Offsetting financial assets and financial liabilities

The Company has the following financial instruments subject to enforceable master netting arrangements or other similar agreements as follows:

	Related amounts set off in the balance sheet		
	Gross amounts – financial assets (a) $'000	Gross amounts – financial liabilities (b) $'000	Net amounts – financial assets presented in the balance sheet (c)=(a)-(b) $'000
At 31 December 2023			
Due from subsidiary corporations	107,706	(29)	107,677
At 31 December 2022			
Due from subsidiary corporations	136,763	(52)	136,711

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Offsetting financial assets and financial liabilities (Continued)

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Company and their respective counterparties allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

32 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.

32 SEGMENT INFORMATION (CONTINUED)

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			Per consolidated financial statements	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	Note	2023	2022
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Revenue:															
External customers	22,124	35,776	8,352	9,928	1,669,502	2,322,633	–	–	1,699,978	2,368,337	–	–		1,699,978	2,368,337
Results:															
Finance expenses	(370)	(317)	–	–	(5,244)	(7,765)	(1,433)	(1,156)	(7,047)	(9,238)	–	–		(7,047)	(9,238)
Interest income	8	–	–	–	2,965	–	28	80	3,001	80	–	–		3,001	80
Depreciation	(2,199)	(2,572)	(6)	(6)	(11,392)	(11,112)	(214)	(222)	(13,811)	(13,912)	–	–		(13,811)	(13,912)
Amortisation of intangible assets	–	–	–	–	(4,979)	(5,248)	–	–	(4,979)	(5,248)	–	–		(4,979)	(5,248)
Impairment loss on property, plant and equipment	(14,456)	(6,141)	–	–	–	–	–	–	(14,456)	(6,141)	–	–		(14,456)	(6,141)
Loss allowance on service concession receivables	–	–	(13,707)	–	–	–	–	–	(13,707)	–	–	–		(13,707)	–
Segment profit/(loss) before income tax	(18,717)	(12,700)	(10,230)	4,251	72,037	123,879	(3,981)	(5,571)	39,109	109,859	–	–		39,109	109,859
Assets:															
Additions to:–															
– Property, plant and equipment	506	1,910	–	–	9,038	9,591	575	391	10,119	11,892	–	–		10,119	11,892
Segment assets	28,294	49,841	11,622	28,111	628,012	619,224	20,320	5,345	688,248	702,521	19,693	23,283	A	707,941	725,804
Segment liabilities	7,485	8,822	984	1,219	222,881	245,706	21,768	24,835	253,118	280,582	6,775	12,714	B	259,893	293,296

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

32 SEGMENT INFORMATION (CONTINUED)

Notes **Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements**

A The following items are added to segment assets to arrive at total assets reported in the consolidated balance sheet:

	Group	
	2023	**2022**
	$'000	**$'000**
Income tax recoverable	14,284	15,211
Deferred income tax assets	5,409	8,072
	19,693	23,283

B The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	Group	
	2023	**2022**
	$'000	**$'000**
Income tax payables	39	278
Deferred income tax liabilities	6,736	12,436
	6,775	12,714

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Canada	1,367,187	1,908,955	113,092	118,493
United States	302,315	413,678	53,161	55,797
Malaysia	19,962	32,821	14,126	31,978
Singapore	50	201	769	408
Myanmar	8,352	9,928	63	70
Sri Lanka	1,188	1,596	–	–
Australia	58	66	–	–
Others	866	1,092	–	–
	1,699,978	2,368,337	181,211	206,746

Non-current assets information presented above consist of property, plant and equipment and intangible assets presented in the consolidated balance sheet.

33 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2024 which the Group has not early adopted.

Effective for annual periods beginning on or after 1 January 2024

Amendments to SFRS(I) 1-1

Classification of Liabilities as Current or Non-current

The amendments require that the classification of liabilities as current or non-current must be based on rights that are in existence at the end of the reporting period. The classification is unaffected by management's intentions or expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments clarify that a counterparty conversion option that is recognised separately as an equity component of a compound financial instrument does not affect the classification of the associated liability component as current or non-current. All other obligations to transfer equity instruments, cash, assets and liabilities, affect the classifications. The amendments should be applied retrospectively.

The Group does not expect any significant impact arising from applying these amendments.

Amendments to SFRS(I) 1-1

Non-Current Liabilities with Covenants

The amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. Additional disclosures are required by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within twelve months after the reporting period.

The Group does not expect any significant impact arising from applying these amendments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

33 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

Effective for annual periods beginning on or after 1 January 2024 (Continued)

Amendments to SFRS(I) 1-7 and SFRS(I) 7

Statement of Cash Flows and Financial Statements: Disclosures: Supplier finance arrangements

The amendments clarify the characteristics of supplier finance arrangements ("**SFA**") and introduce new disclosures of such arrangements. The objective of the new disclosures is to provide information about supplier finance arrangements that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk.

There is a transitional relief of not requiring comparative information in the first year, and also not requiring disclosure of specified opening balances.

The amendments will be effective for annual periods beginning on or after 1 January 2024. Early adoption is permitted.

The Group does not expect any significant impact arising from applying these amendments.

Amendments to SFRS(I) 16

Lease liability in a Sale and Leaseback

The amendments require the seller-lessee to determine "lease payments" or "revised lease payments" such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease.

The Group does not expect any significant impact arising from applying these amendments.

34 AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Avarga Limited on 22 March 2024.

ADDITIONAL SGX DISCLOSURES IN THE ANNUAL REPORT

MATERIAL CONTRACTS

Since the end of the financial year ended 31 December 2023, the Company and its subsidiary corporations did not enter into any material contracts involving interests of the Chief Executive Officer, Directors or controlling shareholders and no such material contract still subsist at the end of the financial year, save for Interested Person Transactions disclosed on page 51 of this Annual Report.

LIST OF MAJOR PROPERTIES

The following properties are owned/leased by the Group:

Location	Description	Land area (sq.m)	Tenure
UPP Pulp & Paper (M) Sdn. Bhd. Lots 225-227 & Lots 240-242 Jalan Kuala Selangor, 45620 Ijok Batang Berjuntai, Selangor Malaysia	Office and factory	121,657	Freehold
Lot 538, Mukim of Ijok Kuala Selangor, Selangor Malaysia	Land	6,891	99 years commencing from 17 May 1984
Lot 2772, Mukim of Ijok Kuala Selangor, Selangor Malaysia	Land	3,518	99 years commencing from 13 May 1992
Taiga Building Products Ltd. 4385 Pacific Street Rocklin, CA 95677 California, Western USA	Distribution Centre	55,037	Freehold
1980 Industrial Way Sanger, California Western USA	Distribution Centre	50,990	Freehold

SHAREHOLDING STATISTICS

AS AT 11 MARCH 2024

ISSUED AND FULLY PAID UP CAPITAL	:	S$169,596,374.34
NO. OF SHARES ISSUED	:	950,145,342
NO. OF TREASURY SHARES HELD	:	41,831,700
NO. OF SUBSIDIARY HOLDINGS HELD	:	NIL
NO. OF ISSUED SHARES (EXCLUDING TREASURY SHARE)	:	908,313,642
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	1 VOTE PER SHARE/NO VOTE FOR TREASURY SHARES

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	117	3.46	2,414	0.00
100 – 1,000	320	9.47	287,181	0.03
1,001 – 10,000	1,334	39.47	7,676,631	0.85
10,001 – 1,000,000	1,574	46.57	120,088,050	13.22
1,000,001 and above	35	1.03	780,259,366	85.90
Total	**3,380**	**100.00**	**908,313,642**	**100.00**

TOP 20 SHAREHOLDERS

S/No.	Name	Number of Shares Held	%
1	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	258,492,900	28.46
2	LIM ENG HOCK	183,246,925	20.17
3	UOB KAY HIAN PTE LTD	88,572,300	9.75
4	CITIBANK NOMINEES SINGAPORE PTE LTD	42,142,252	4.64
5	OCBC SECURITIES PRIVATE LTD	36,249,690	3.99
6	DBS NOMINEES PTE LTD	23,768,165	2.61
7	MAYBANK SECURITIES PTE. LTD.	23,501,726	2.59
8	PHILLIP SECURITIES PTE LTD	19,682,824	2.17
9	ABN AMRO CLEARING BANK N.V.	17,692,400	1.95
10	TAN GUAN HONG	10,800,000	1.19
11	UNITED OVERSEAS BANK NOMINEES PTE LTD	8,733,923	0.96
12	RAFFLES NOMINEES (PTE) LIMITED	6,985,800	0.77
13	CHIEW POH CHENG	6,007,800	0.66
14	KHOO POH KOON	5,748,001	0.63
15	IFAST FINANCIAL PTE LTD	5,221,100	0.57
16	LIM JUEXIN LEONARD	4,510,000	0.50
17	HSBC (SINGAPORE) NOMINEES PTE LTD	4,498,200	0.50
18	OCBC NOMINEES SINGAPORE PTE LTD	4,466,160	0.49
19	LEW WING KIT	3,332,300	0.37
20	TONG IAN	2,800,000	0.31
		756,452,466	**83.28**

Source: The Central Depository (Pte) Limited

SHAREHOLDING STATISTICS
AS AT 11 MARCH 2024

Substantial Shareholders	Number of Shares (Direct Interest)	Number of Shares (Deemed Interest)
Lim Eng Hock	183,246,925	–
Tong Kooi Ong	–	298,247,000[1]
Phileo Capital Limited	224,808,000	–
Genghis S.á.r.l.	73,439,000	–
3Cs Investments Limited	–	73,439,000[2]
ZICO Trust (S) Ltd.	–	295,364,000[3]

Notes:
(1) Shares held in the name of the registered holders, Phileo Capital Limited and Genghis S.á.r.l..
(2) Issued shares held in the name of the registered holder, Genghis S.á.r.l..
(3) Issued shares held in the name of the registered holders, Phileo Capital Limited and Genghis S.á.r.l..

Approximately 46.06 % of the issued Ordinary Shares are held in the hands of the public. Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has accordingly been complied with.

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