AVARGA LIMITED

BLAZING A TRAIL

ANNUAL REPORT 2024

CONTENTS

"As the path we once took became impassable, we will blaze a trail to shape a new course, driven by necessity and vision"

The path we knew has reached its end,
But this is where new roads extend.
For every end, a start is near,
A new road calls, though still unclear.
Through rough markets and shifting skies,
We will blaze the trail where vision lies.
No map can tell where to steer,
But forward we go, where our purpose is clear.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Tong Kooi Ong
Executive Chairman

Tong Ian
Chief Executive Officer and Executive Director

Lai Ven Li
Lead Independent Director

Moey Weng Foong
Independent Director

Andrew Lim Cheong Seng
Independent Director

Kevin Kang Kah Wee
Independent Director

COMPANY SECRETARY
Chan Lai Yin

AUDIT AND RISK MANAGEMENT COMMITTEE
Lai Ven Li (Chairman)
Moey Weng Foong
Andrew Lim Cheong Seng
Kevin Kang Kah Wee

NOMINATING COMMITTEE
Andrew Lim Cheong Seng (Chairman)
Lai Ven Li
Kevin Kang Kah Wee

REMUNERATION COMMITTEE
Moey Weng Foong (Chairman)
Andrew Lim Cheong Seng
Lai Ven Li *(Member since 18 April 2024)*

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Website: http://www.avarga.com.sg

SHARE REGISTRAR
B.A.C.S. Private Limited
77 Robinson Road
#06-03
Robinson 77
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

"Blazing a Trail"

The path we knew has reached its end,
But this is where new roads extend.
With every challenge, every wall,
We always rise, never once stall.

Through markets rough and shifting skies,
We will blaze the trail where vision lies.
No map can tell where to steer,
But forward we go, where our purpose is clear.

Dear Fellow Shareholders,

A lot has happened over the last year. As the poem above suggests, many of the events were a result of paths that have reached their end. 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. We explained the decisions we made and why, as well as the actions we took and the outcomes.

Notably, we have expressed the challenges faced by our Group's businesses in the last few years, as well as our concern about the macro-economic uncertainties. In last year's annual report, I took quotes from my statements in 2021 and 2022 highlighting those risks and will reference them below in my discussion of the specific businesses. I will also explain how we landed on the decisions we made with each one and the impact on our Group.

That said, these exercises have either completed or are amid completing, and we have restructured and must continue to evolve. As stewards of your Company, our role is to chart a course forward. The market outlook remains volatile, and tariff talks certainly do not help. We remain steadfastly committed to balancing shareholder returns and risk and creating a sustainable model.

Financial Year 2024

Pre-tax profit increased slightly by 2.8% to S$50.5 million in 2024 from S$49.2 million in 2023. Net profit after non-controlling interests increased to S$23.6 million from S$10.9 million, or 2.59 cents per share from 1.20 cents per share. This includes proceeds from our power plant that has been sold and reclassified as discontinued operations. Total revenue in 2024 was S$1,619.6 million compared to S$1,691.6 million in 2023.

On our balance sheet, total assets increased to S$718.4 million from S$707.9 million. Total equity grew to S$475.8 million from S$448.0 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 2024. The restated financial statements use the same information in the Annual Report, to better express our cash flows, performance, investments, and returns.

While our overall financial performance was an improvement from 2023, you will recall that the Group booked significant impairment losses and write downs of our paper and power businesses respectively in 2023. Excluding those accounting losses, our 2024 performance would be slightly weaker than 2023 due to lower profit contribution from Taiga.

Wholesale Distribution of Building Materials (Canada and USA)

Taiga recorded a weaker performance in 2024 relative to 2023. Net earnings for the year were C$47.6 million compared to C$61.3 million in the prior year. EBITDA generated was C$79.8 million compared to C$91.3 million in 2023.

CEO'S STATEMENT

The North American property market continues to be negatively impacted by increased interest rates and slow growth, as we have cautioned in our outlook over the last few years. While commodity lumber prices finally stabilised, the weaker market resulted in lower sales volume in 2024. That said, the Company did relatively well in maintaining or increasing market share in its key markets, as management continues to use Taiga's strong balance sheet and inventory management to their advantage.

According to most research firms, the property market is expected to stay weak, especially in Canada. Tariffs imposed by the United States, and the likely counter-tariffs, will not only impact our lumber commodity business directly, but also impact the larger economy, adding further stress to the business. It will be critical for Taiga to navigate through an uncertain market with financial flexibility and tight inventory controls, while looking for opportunities to grow selectively.

Paper Manufacturing (Malaysia)

The paper business was the only business of Avarga when current management took over the Group in 2012. Long-term shareholders will recall that our Company was previously named United Pulp and Paper Ltd. Prior to the management change, the Group generated EBITDA of RM8.5 million and RM11.0 million in 2010 and 2011 respectively.

We focused on streamlining the operations and aligning employees, growing EBITDA to RM37.2 million and RM31.7 million during its peak years of 2018 and 2019. Between 2012 to 2024, the paper business generated total EBITDA of RM231.8 million and flowed up cash of RM175.6 million to Avarga, without any investment by our Group to the business.

In 2021 and 2022, we warned of market challenges as new policies introduced by China pushed their large paper manufacturing companies to countries like Malaysia, where we operate. Their push into the domestic market depressed selling prices and pressured costs of labour and raw materials upwards. The COVID pandemic added further strain on operating expenses. Our financial performance began declining, and we recorded a negative EBITDA of -RM7.9 million in 2022.

As the business model became unsustainable, we decided to embark on a restructuring exercise 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. We were able to achieve cashflow breakeven and restructured our balance sheet – paying down debt and reducing aged inventories, while our competitors suffered significant losses.

However, despite this relative success, our outlook is that the market environment will only get more and more challenging. Costs will continue to rise, while prices and demand will stay suppressed as the large Chinese manufacturers maintain their presence. Furthermore, we would have to commit to a new long-term contract with Gas Malaysia in 2025, a huge liability in the event we are unable to sustain the turnaround effort. Therefore, we have decided to close the business. We believe our efforts and resources will better serve shareholders by focusing on other ventures.

Presently, we are focused on executing the closure by transitioning our employees and salvaging asset values. We will update you as required on the steps of the ongoing closure of the business.

Power Generation (Myanmar)

In 2013, Avarga announced that it had entered into an agreement with the Ministry of Electric Power in Myanmar to build and operate a 50MW gas power plant in their country, which began operations in 2014. The investment provided the Group with USD-denominated cash flows with relatively little issues until 2021, when the Tatmadaw assumed control of the government in Myanmar. Since then, the country has witnessed public protests and labour strikes. For investors, the risk of sanctions and creditworthiness heightened significantly. As the situation worsened, gas supply became an issue – which we discussed in previous years and resulted in the write down of our receivables in 2023.

Given the challenges, we decided that the potential returns no longer outweighed the risks, and we agreed to sell the business last year for net proceeds of S$10.2 million. As we have fully exited the business, I would like to reflect honestly and transparently on how our investment performed.

CEO'S STATEMENT

Our overall investment outlay for the power plant was S$58.8 million in 2013. From that period till the sale in 2024, the business generated a total revenue of S$158.0 million while requiring total expenditures of S$61.6 million. Including the net sale proceeds, our Group received total net cash flows of S$106.6 million.

The figures result in an IRR of 9% over the 11 years. By comparison, the Straits Times Index (STI) has returned roughly 5% over the last 10 years. In simple terms, our investment outperformed the broad market, but adjusting for the risk profile of our investment, I had hoped for a better return for our shareholders, which certainly would have been the case had it not been for the unexpected political conflict. That said, we managed to guard against a lot of potential risks, operated the plant in an extremely efficient manner, and were decisive when we believed it was time to exit. This management of the business allowed the Group to maximise its earnings and asset sale, particularly when the unstable period began.

Mandatory General Offer

Outside of operations, the major event that occurred last year was the General Offer. On November 11, 2024, the Company announced that the Executive Chairman, Mr Tong Kooi Ong, through his wholly owned TKO Pte Ltd ("**TKO**"), had purchased 183,246,925 shares of Avarga from substantial shareholder Mr Lim Eng Hock for S$0.25 per share, triggering a Mandatory Unconditional General Cash Offer ("**Offer**"). This meant that TKO was obligated to make the same offer of S$0.25 per share to all other shareholders of Avarga. Shareholders holding 305,859,528 shares, or 71.7% of the outstanding shares not owned by TKO, had accepted the Offer by the close of the Offer on December 27, 2024.

Looking ahead

As we have discussed above, we have exited the power business and will finalise the closure of the paper business this year. As those chapters end, it is time for us to write new ones, and we will look towards new opportunities to allocate capital and grow shareholders' equity.

At Taiga, we are now entering uncertain territory. How far will tariff measures go? How will governments act and react? What is the short-term impact to the business and property market of those actions? What are the long-term implications? The company has focused its efforts on building up its resources, infrastructure, and technologies over the last few years, and will continue to develop and utilize these capabilities to operate effectively in this volatile environment. We must strongly defend our market positions, while also strategising for new opportunities that may arise.

I will end my statement in the same manner as it began: "As the path we once took became impassable, we blaze a trail to shape a new course, driven by necessity and vision"

Thank you to 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)													
Year end Dec (S$m)	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Revenue	1,619.6	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	165.8	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)	72.0	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	(12.7)	(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	(2.1)	(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	0.1	0.4	0.4	–	–	–	–	–
Forex gains/(losses)	2.0	(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	(0.2)	(14.5)	(6.1)	–	–	–	–	–	–	–	–	–	–
Property, plant and equipment written off	(2.4)	–	–	–	–	–	–	–	–	–	–	–	–
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:													
Profit from discontinued operations	4.8	–	–	–	–	–	–	–	–	–	–	–	–
Net interest expenses	(6.2)	(7.0)	(9.2)	(10.1)	(10.3)	(11.9)	(8.6)	(15.5)	0.5	0.4	0.2	0.3	0.3
	(16.7)	(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	**55.3**	**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)	**48.1**	**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	(0.7)	(1.9)	(2.3)	(2.1)	(1.8)	(1.8)	(1.5)	(9.7)	–	–	–	–	–
Repayment of Taiga lease obligations	(6.4)	(6.3)	(6.0)	(5.2)	(4.9)	(4.9)	(2.5)	(2.0)	–	–	–	–	–
Sub-total	**(7.1)**	**(8.2)**	**(8.3)**	**(7.3)**	**(6.7)**	**(6.7)**	**(4.0)**	**(11.7)**	**–**	**–**	**–**	**–**	**–**
Net excess cash from operations	**41.0**	**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)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Use of Cash: How we used the cash?													
Capex – PPE (net)	(4.0)	(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)	(14.7)	–
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	(2.1)	0.1	1.9	(0.1)	0.2	0.6	0.3	(1.2)	0.4	0.6	0.3	0.2	0.1
Sub-total	**(6.1)**	**(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)	**34.9**	**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)													
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Source of Cash: How we financed it?													
Sales 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 subsidiary corporations, net of cash disposed	10.2	–	–	–	–	–	–	–	–	–	–	–	–
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	(45.1)	(76.6)	(30.3)	(76.7)	–	–	–	–	(2.3)	(14.1)	–	–	(55.0)
Sub-total	**(34.9)**	**(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)	**45.1**	**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)	145.4	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)	**190.5**	**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	**45.1**	**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 cashflows from 2012 to 2024

From 2012 to 2024, we have generated cumulative:

	S$ million	S$ million
Revenue		14,587.8
Gross profit		1,754.3
EBITDA (before exceptional items)		839.6
Pre-tax profit		592.4
Net cash from operating activities		**632.2**
Net excess cash from operating activities		**572.2**
What did we use it for?		
Capex – PPE (net)		(39.0)
Investment in Myanmar Power Plant		(58.8)
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		1.3
Subtotal		**(514.3)**
Surplus		**57.9**
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
Proceeds from disposal of subsidiary corporations, net of cash disposed		10.2
Sale of corporate bonds		6.5
Use of cash & borrowings (net change in cash/debt)		(169.8)
Sub-total		**(57.9)**

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 the 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, which publishes The Edge Singapore and 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 the 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 various 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 worked in the international banking of DBS.

Ms. Lai was partner of a real estate private equity firm. She served on the board of directors of 3Cnergy Ltd. She also served as the Chairman of Audit Committee and a member of the Remuneration and Nominating committees of the company.

Currently, Ms. Lai is the Lead Independent Director of Avarga Limited and serving as the Chairman of Audit and Risk Management Committee and a member of the Remuneration and Nominating committees of the Company. She is also on the board of directors of ICP Ltd., listed on the Singapore Exchange, for similar roles.

She graduated with a Bachelor of Commerce from The University of Western Australia. A Fellow of CPA Australia and a Chartered Accountant of Malaysian Institute of Accountants.

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).

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
(Ceased on 21 March 2025)

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. Starting in July 2022, Mr. Sali took on the role of CEO at Taiga Ventures, retiring from the position in April 2024.

SYLVESTER ONG PAI KOO
Independent Director
Appointed to the Board on 3 May 2024

Mr. Ong brings a wealth of experience in the construction and finance sectors to his new role. Educated at Simon Fraser University in Canada, he holds both a Bachelor's and Master's Degrees in Economics and Business Administration, with a focus on Accounting and Finance. His career is marked by significant leadership positions, notably as the Independent non-Executive Chairman and Director at 3Cnergy Limited. He has also held directorships at PKS Jaya Sdn Bhd and previously, King Fraser International Pte Ltd. Mr. Ong's previous experience includes roles at Reinforced Earth (SEA) Pte Ltd, where he climbed the ranks from Commercial Manager to General Manager of Finance, managing significant financial operations and strategic planning for the company and its Asian subsidiaries.

KEY MANAGEMENT PERSONNEL

KHOO HSIEN MING, KEVIN
President, Investments
Avarga Limited Group

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

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
(Ceased on 31 March 2025)

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.

KEY MANAGEMENT PERSONNEL

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.

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 for the financial year ended 31 December 2024. 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. All Directors are aware of their fiduciary duties and exercise due diligence and independent judgement in ensuring that their decisions are objective and in the best interests of the Company. 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 2024 ("**FY2024**"), the following directors had attended the courses as set out below:

<u>Mr. Moey Weng Foong</u>

- The US Election and its implication for trade and Asia
- UBS Global Strategy Outlook
- China: Banks in deflation: Lessons learned from Japan
- An asset allocation solution for public and private markets
- Japan: How fast will the BoJ normalize policy?

<u>Mr. Kevin Kang Kah Wee</u>

- 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

REPORT ON CORPORATE GOVERNANCE

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.

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 FY2024, 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

REPORT ON CORPORATE GOVERNANCE

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 46 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 Committees and 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.

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 six (6) directors, namely Mr. Tong Kooi Ong, Mr. Tong Ian, Ms. Lai Ven Li, 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
Mr. Moey Weng Foong	Independent Director
Mr. Andrew Lim Cheong Seng	Independent Director
Mr. Kevin Kang Kah Wee	Independent Director

REPORT ON CORPORATE GOVERNANCE

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 Committees, namely ARMC, NC and RC, were reconstituted on 18 April 2024 following the retirement of Ms Chan Lay Hoon at the conclusion of the Annual General Meeting held on 18 April 2024 which Ms Chan Lay Hoon has *ipso facto* ceased to be a member of the ARMC and RC.

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.

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.

REPORT ON CORPORATE GOVERNANCE

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 six directors, which comprises of a female who is 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.

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 all members of ARMC, RC and 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.

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)

REPORT ON CORPORATE GOVERNANCE

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.

Non-Executive Directors and Independent Directors made up a majority of the Board. The Board is satisfied that the existing Board with Executive Directors involved in management and Independent and Non-Executive Directors exercising oversight function contributes to diversity of thought for strategic discussions. The Board is able to make decisions in the best interests of the Company, with no individual or small group of individuals being able to dominate the Board's decision making.

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 re-elected by way of a shareholders' resolution at the AGM after the Board accepted recommendation from NC. 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. Mr Tong Kooi Ong and Mr Andrew Lim Cheong Seng are due for retirement at the AGM and being eligible for re-election at the forthcoming AGM. The NC, having assessed the performance and contribution to the Board and the Company, has recommended the re-election of Mr Tong Kooi Ong and Mr Andrew Lim Cheong Seng as a director of the Company at the forthcoming AGM.

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, and 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 FY2024, 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, including the chairman, are non-executive and independent directors.

The composition of the RC is as follows:

Mr. Moey Weng Foong	(Chairman)
Mr. Andrew Lim Cheong Seng	(Member)
Ms. Lai Ven Li	(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 FY2024.

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 FY2024 is set out below:

(a) Directors of the Company	Fees (S$)	Salary (S$)	Bonus (S$)	Benefits (S$)	Total (S$)
Mr. Tong Kooi Ong[2]	–	300,000	–	3,899	303,899
Mr. Tong Ian[3]	–	500,000	–	46,105	546,105
Mr. Moey Weng Foong	67,000	–	–	–	67,000
Mr. Andrew Lim Cheong Seng	70,000	–	–	–	70,000
Ms. Lai Ven Li	72,110	–	–	–	72,110
Mr. Kevin Kang Kah Wee	64,000	–	–	–	64,000
Ms. Chan Lay Hoon (retired as director on 18 April 2024)	19,165	–	–	–	19,165

(b) Directors of Subsidiary, Taiga	Fees (S$)	Salary (S$)	Bonus (S$)	Benefits (S$)	Total (S$)
Mr. Tong Kooi Ong[2]	–	–	652,915	–	652,915
Mr. Tong Ian[3]	–	–	604,190	–	604,190
Mr. Garson David Lee	85,756	–	–	–	85,756
Mr. Jim Teh	76,011	–	–	–	76,011
Mr. Grant Sali[4]	40,198	–	372,707	–	412,905
Mr. Sylvester Ong Pang Koo[5]	31,671	–	–	–	31,671
Mr. Brian Flagel (ceased as director on 21 March 2025)	76,011	–	–	–	76,011
Mr. Trent Balog (ceased as director on 30 January 2024)	4,467	–	–	–	4,467

Notes:

(1) 100% of the remuneration paid to the Non-Executive Directors is in the form of Directors fees, which are payable wholly in cash.

(2) Mr. Tong Kooi Ong was appointed Executive Director of Taiga on 6 May 2021. Breakdown of total remuneration (in percentage terms): Salary-31%, Bonus-68%, and Benefits-1%.

(3) Mr. Tong Ian was appointed Executive Chairman of Taiga on 6 May 2021. Breakdown of total remuneration (in percentage terms): Salary-43%, Bonus-53%, and Benefits-4%.

(4) Mr. Sali was awarded a bonus for his services rendered in 2024 in his capacity as CEO of Taiga Ventures. These services included consulting management with regards to new business initiatives and strategies. Mr. Sali retired from the position of CEO of Taiga Ventures in April 2024. Breakdown of total remuneration (in percentage terms): Fees-10% and Bonus-90%.

(5) Mr. Ong appointed to the Board on 3 May 2024.

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

Remuneration bands	Number
Less than S$250,000	2
S$500,001 to S$750,000	1
S$1,000,001 to S$1,250,000	1
S$1,250,001 to S$1,500,000	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 FY2024 was approximately S$3,644,000.

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 FY2024. 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 FY2024 are set out below:

Between S$900,000 to S$1,000,000

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

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

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 2024 was calculated at 8.78% (9.53% in 2023).

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.

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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 FY2024, 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 2024.

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 2024, 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 2024 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 four (4) directors, all of whom, including chairman, are non-executive and independent directors. 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)
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	540
Non-Audit Service	128
Total Fees	668

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.

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	30
Non-Audit Service	–
Total Fees	30

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.

REPORT ON CORPORATE GOVERNANCE

As part of a broader review of the business needs and strategic direction of the Group, the Board is of the view that it would be appropriate and timely to effect a change of Auditors of the Company. Following a review and evaluation of various audit firms which have experience in auditing publicly listed companies in Singapore, the Board, in consultation with the Audit Committee, and taking into consideration the requirements of Rule 712 and Rule 715 of the Listing Manual, has determined that CLA Global TS Public Accounting Corporation ("**CLA Global TS**") is best suited to meet the existing needs and audit requirement of the Group. CLA Global TS was selected from amongst several audit firms which provided proposals to the Company, after taking into account, *inter alia*, the adequacy of the resources and experience of CLA Global TS, the audit engagement partner assigned to the audit, the Group's audit requirements and the number and experience of supervisory and professional staff to be assigned to the audit of the Group, the fee structure and audit arrangement proposed by CLA Global TS. The Board and the Audit Committee have also considered, amongst others, the Audit Quality Indicators Disclosure Framework issued by ACRA in assessing CLA Global TS's suitability for the proposed appointment and are of the opinion that CLA Global TS will be able to fulfil the audit requirements of the Company and the Group without compromising the standard and effectiveness of the audit of the Company and the Group. After evaluation, the ARMC recommended that CLA Global TS be selected for the proposed appointment as external auditors of the Company in place of Moore Stephens, which will be retiring at the upcoming 2025 AGM. The Board has accepted the ARMC's recommendation and the Company proposes to seek shareholders' approval for the change of external auditors, details of which are set out in the Appendix to the Notice of AGM dated 10 April 2025.

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

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.

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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 FY2024, 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 more than 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 FY2024 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 FY2024, the ARMC is of the view that the internal audit function is independent, effective and adequately resourced.

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 under Principle 13 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.

REPORT ON CORPORATE GOVERNANCE

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.

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 FY2024, as the Company has no distributable reserves and 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.

REPORT ON CORPORATE GOVERNANCE

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.

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 2025

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	–	–
Mr. Tong Ian	–	7 March 2017 28 April 2023	Chief Executive Officer/Executive Director	–	–
Ms. Lai Ven Li	Chairman: ARMC Member: RC and NC	1 January 2024 18 April 2024	Lead Independent Director	ICP Ltd.	3Cnergy Limited
Mr. Moey Weng Foong	Chairman: RC Member: ARMC	27 June 2020 18 April 2024	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 18 April 2024	Independent Director	–	–

REPORT ON CORPORATE GOVERNANCE

Directors standing for re-election at the AGM

The following information relating to Mr. Tong Kooi Ong and Mr. Andrew Lim Cheong Seng, 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. Tong Kooi Ong**	**Mr. Andrew Lim Cheong Seng**
Date of Appointment	15 March 2012	1 January 2023
Date of last re-appointment (if applicable)	28 April 2023	28 April 2023
Age	66	62
Country of principal residence	Malaysia	Malaysia
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. Tong Kooi Ong shall be required to retire at this Annual General Meeting. Mr. Tong Kooi Ong agreed to retire and stand for re-election. The NC approved the re-election and re-nomination of Mr. Tong Kooi Ong.	The Board has considered the NC's recommendation and assessment of Mr. Andrew Lim Cheong Seng's qualification, expertise, and experience, and is satisfied that his re-appointment as an independent director, Chairman of NC and member of ARMC and RC will be beneficial to the Board and to the Company.
Whether the appointment is executive, and if so, the area of responsibility	Executive. Responsible for directing the Company's overall strategy and growth	Non-Executive, Independent Director
Job Title	Executive Chairman	Independent Director, Chairman of NC and Member of ARMC and RC
Professional qualifications	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	Bachelor of Commerce, University of Newcastle, NSW
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
Shareholding interest in the listed issuer and its subsidiaries	Yes Please refer to the "**Directors' Statement**" section of this Annual Report	Yes Please refer to the "**Directors' Statement**" section of this Annual Report

REPORT ON CORPORATE GOVERNANCE

Name of Director	Mr. Tong Kooi Ong	Mr. Andrew Lim Cheong Seng
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	Father of Mr. Tong Ian (Executive Director and Chief Executive Officer)	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes
Other Principal Commitments including Directorships – Past (for the last 5 years) and Present	**Past directorships:** 1. 3Cnergy Limited 2. Harmoni Pelangi Sdn Bhd 3. UPP Greentech Pte Ltd 4. Avarga Investment Pte Ltd 5. UPP Industries Pte Ltd 6. UPP Pulp & Paper (M) Sdn Bhd 7. Ophir-Rochor Investments Pte Ltd 8. Edgeprop Sdn Bhd 9. Harmoni Bintang Sdn Bhd **Present directorships:** 1. M+S Pte Ltd 2. Marina South Investments Pte Ltd 3. Asia Analytica Pte Ltd 4. Insider Asia Pte Ltd 5. Moresby Central Pte Ltd 6. Phileo Group Pte Ltd 7. The Edge Media Group Pte Ltd 8. The Edge Publishing Pte Ltd 9. TKO Pte. Ltd. 10. Asia Analytica Sdn Bhd 11. Capai Bumi Sdn Bhd 12. Lojing Highland Resort Development Sdn Bhd 13. Taiga Building Products Ltd. 14. I.T. Nominee Ltd 15. financialzoo Limited 16. Equilands Sdn Bhd 17. C2T Capital Sdn Bhd 18. M Hills Sdn Bhd	No

REPORT ON CORPORATE GOVERNANCE

Name of Director	Mr. Tong Kooi Ong	Mr. Andrew Lim Cheong Seng
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
(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
(c) Whether there is any unsatisfied judgment against him?	No	No

REPORT ON CORPORATE GOVERNANCE

Name of Director	Mr. Tong Kooi Ong	Mr. Andrew Lim Cheong Seng
(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
(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
(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

REPORT ON CORPORATE GOVERNANCE

Name of Director	Mr. Tong Kooi Ong	Mr. Andrew Lim Cheong Seng
(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
(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
(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
(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
(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

REPORT ON CORPORATE GOVERNANCE

Name of Director	**Mr. Tong Kooi Ong**	**Mr. Andrew Lim Cheong Seng**
(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
(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
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
(Applicable to appointment of director only) Any prior experience as a Director of an issuer listed on the Exchange?	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 2024

	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
Ms. Lai Ven Li	2	2	2	2	1	1	N.A.	N.A.	1	1
Mr. Moey Weng Foong	2	1	2	2	N.A.	N.A.	1	0	1	1
Mr. Andrew Lim Cheong Seng	2	2	2	2	1	1	1	1	1	1
Mr. Kevin Kang Kah Wee	2	2	2	2	1	1	N.A.	N.A.	1	1
Ms. Chan Lay Hoon (retired as director on 18 April 2024)	1	1	1	1	N.A.	N.A.	1	1	1	0

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.

REPORT ON CORPORATE GOVERNANCE

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 FY2024, 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 S$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 have been largely focused on Myanmar. 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.

Since 2015, our CSR efforts in Myanmar include building an airconditioned multi-media hall and equipping it with computers, accessories, desks and chairs; replacing the school's old furniture with new desks and chairs, building a new school building, building a new school hall and library; replacing the school's parameter walls and donating new uniforms, books and bags to the school's students.

Over the years, we have also made CSR contributions towards the communities surrounding our power plant. These include repairing water tanks, donating oxygenators and making contributions towards victims of natural disasters.

With the sale of the power plant in 2024, we have since ceased our CSR activities in Myanmar.

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 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 2022-2024, due to the large losses incurred by UPP Pulp and Paper (M) Sdn Bhd, we did not undertake major 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.

In 2024, donations in Canada totaled C$265,301. Notable contributions include C$104,799 to Habitat for Humanity Halton/Mississauga, C$101,288 to Habitat for Humanity Canada, and C$22,306 to Habitat for Humanity Edmonton.

In the US, donations amounted to US$3,998, which includes a US$2,500 contribution to Read Northwest.

SUSTAINABILITY REPORT

THE BOARD'S STATEMENT

Dear Stakeholders,

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

With our operations spanning diverse global locations and involvement in industries such as building materials and paper manufacturing, the Group's sustainability impacts continue to be both extensive and far-reaching. We remain deeply committed to integrating sustainability into every aspect of our business, recognising its critical role in ensuring the long-term resilience and success of the Group. This Report aims to offer a comprehensive overview of our Environmental, Social, and Governance ("**ESG**") performance and advancements over the past financial year.

The Board of Directors (the "**Board**") acknowledges the recent challenges faced by our building products segment, which experienced a slight revenue decline amidst a turbulent economic landscape. We are confident that management's strategic focus on cost management and operational efficiencies will mitigate the impact of fluctuating commodity prices. Furthermore, we reaffirm our commitment to investing in our employees through continuous training and career development, ensuring they remain equipped to navigate the dynamic market. We are also pleased to note the company's sustained strong compliance record, with no significant fines and minimal reported incidents, demonstrating our unwavering adherence to regulatory standards.

The Board holds overall responsibility for the Group's sustainability and climate-related matters, ensuring that sustainability considerations remain at the forefront of 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 validate the relevance of the Group's material topics. Our commitment extends to fulfilling obligations of stakeholders, including shareholders, customers, suppliers, partners, employees, and the communities in which we operate. We remain focused on delivering value while promoting positive environmental and social impact. For more detailed information, please refer to the Sustainability Governance Structure section in this Report.

We would like to express our sincere appreciation to our shareholders, employees, business associates, and all other stakeholders for their continued support as we advance our sustainability initiatives. Together, we are making significant strides towards a more sustainable future.

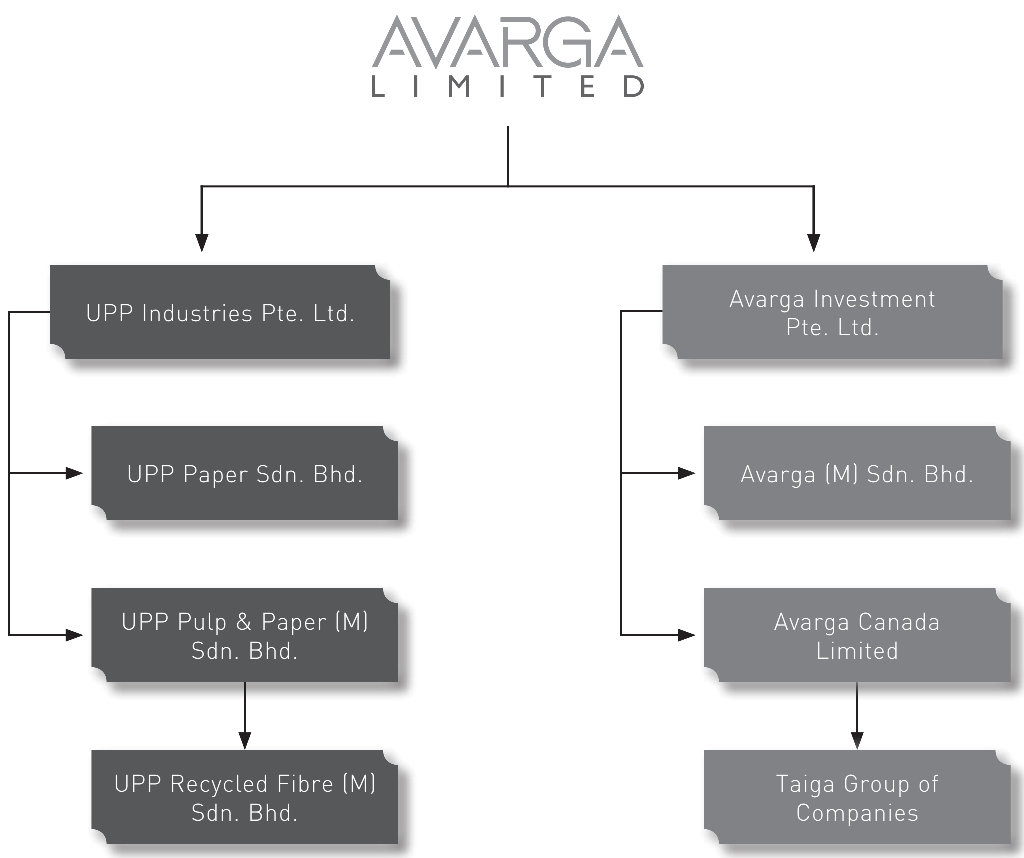
Sincerely,
The Board of Directors

SUSTAINABILITY REPORT

ABOUT THE REPORT

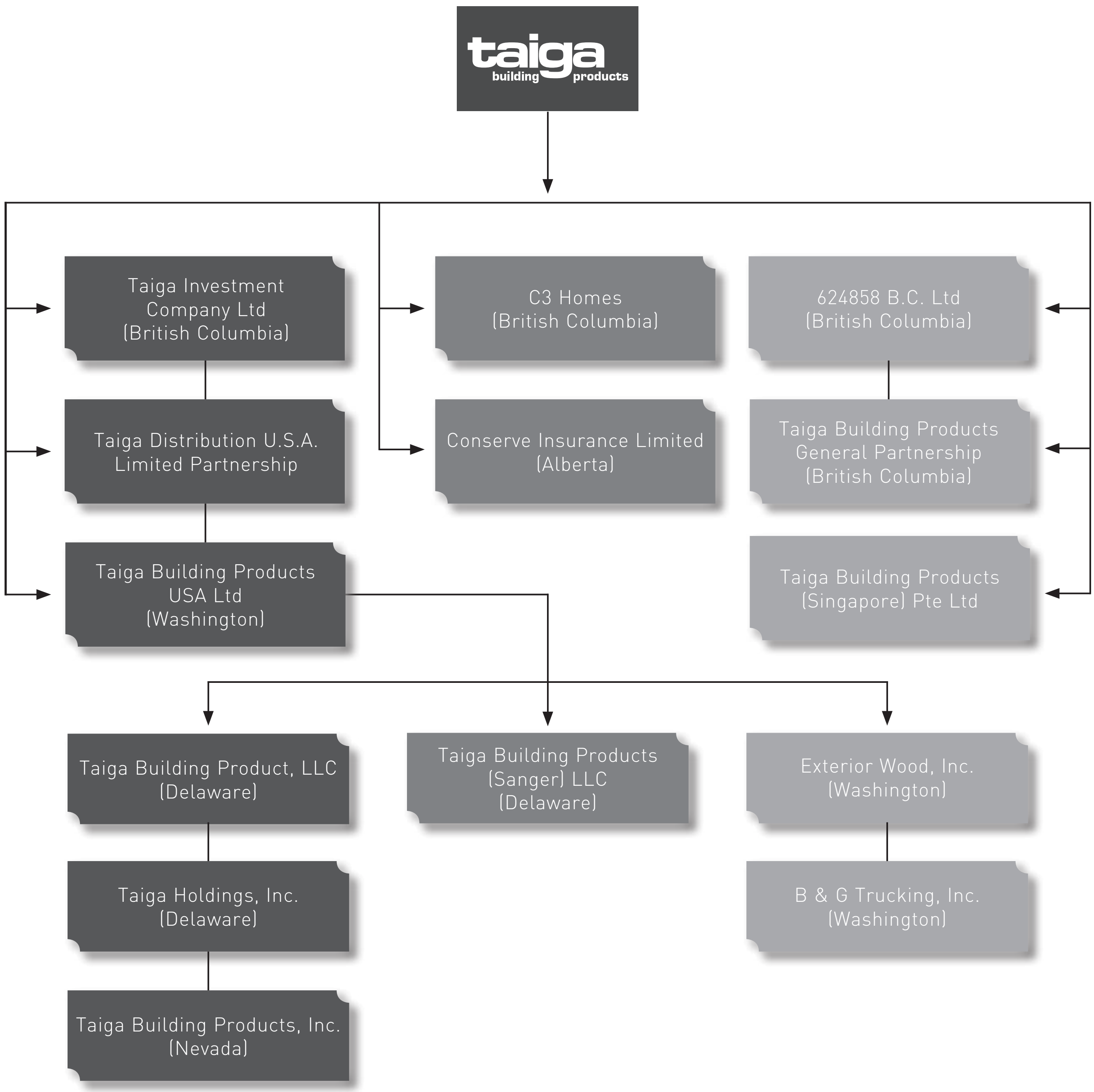
Reporting Period and Scope

This report provides a comprehensive overview of the Group's ESG policies, practices, and performance during the reporting period from 1 January 2024 to 31 December 2024 ("**FY2024**"). The Report's coverage extends to all subsidiaries listed in our Group structure as of 31 December 2024 below. Headquartered in Singapore, our operational locations include Malaysia, Canada, and the United States. Our power generation business in Myanmar ("**UPP Power**") has been disposed as of 10 July 2024. The latest group structure are as follows:



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 climate reporting in line with the International Sustainability Standards Board ("**ISSB**") in the FY2025 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 Group's Annual Report 2024 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, formerly known as UPP Holdings Limited, has been a listed entity on the Main Board of SGX-ST since October 15, 1980. As an investment holding company, the Group operates across two core business segments:

Paper Manufacturing (Malaysia): UPP Pulp & Paper (M) Sdn Bhd ("UPP")

Established in Singapore in 1971 before relocating to Malaysia between 1998 and 2000, UPP has built a legacy spanning over 50 years and played a pivotal role in meeting Malaysia's paper packaging needs. The company specialises in the production of 100% recycled paper, transforming scrap paper into new paper rolls through an eco-friendly process. These products are competitively priced and well-positioned to meet the rising demand for paper packaging, driven by the growth of e-commerce.

Situated on a 32.6-acre site in Ijok, Selangor, the UPP paper mill has been certified to ISO 9001:2015 standards by ISOQAR Ltd since 2015, underscoring its dedication to quality management practices.

On 29 November 2024, Avarga announced that UPP will cease its paper manufacturing operations after 31 December 2024, when the gas supply contract for its plant in Ijok, Selangor, Malaysia expires. The decision was made due to the challenging business environment and continued losses incurred, despite a major restructuring exercise undertaken since the end of the financial year of 2022.

Building Materials Distribution (Canada and USA): Taiga Building Products Ltd ("Taiga")

Taiga, a publicly traded company on the Toronto Stock Exchange, is Canada's largest wholesale distributor of building materials, supplies, and services. The company operates four wood preservation plants and manages 18 distribution centres across Canada and the United States, supported by six reload stations in the Eastern U.S. Through its extensive network, Taiga continues to be a key player in the building materials industry across North America.

SUSTAINABILITY REPORT

Membership of Associations

To ensure and keep our operational practices in line with industry best practices, we engage with our industry associations frequently. The knowledge sharing and productive conversations with the fellow members allows us to determine and carry out effective solutions to overcome 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	The Patron of the Arts Award, established in 1983, acknowledges organisations and individuals who have played a key role in advancing the arts. Thanks to the generous support of patrons who contribute financially, provide resources, offer skills, and dedicate their time, Singapore's arts scene has experienced significant growth and development.
Securities Investors Association Singapore ("SIAS") Investors' Choice Awards 2023	The Singapore Corporate Governance Award 2023 acknowledges the Group's exceptional achievements in corporate governance and sustainability practices.

SUSTAINABILITY REPORT

SUPPLY CHAIN MANAGEMENT

The Group is committed to implementing sustainable and efficient strategies in resource management, supply chain operations, and logistics. Developing strong and collaborative partnerships with suppliers is a key aspect of reducing disruptions and ensuring the timely delivery of high-quality products and services to our customers.

We are dedicated to sourcing from suppliers who prioritise ethical practices, responsibility, and cost-effectiveness. To meet the specific needs of Avarga's various business units, we follow a careful selection process that includes thorough due diligence and comprehensive performance assessments to ensure adherence to our rigorous sourcing standards. Further details on each of our core businesses are provided below.

Paper Manufacturing (Malaysia)

UPP acquires quality scrap paper with low impurities from reputable suppliers and sources machinery parts necessary for the operations of its paper mill in Malaysia. To maintain industry competitiveness, we routinely assess our suppliers' performance to ensure their service and product quality consistently meet our standards.

UPP has ceased its paper manufacturing operations after 31 December 2024, when the gas supply contract for its plant in Ijok, Selangor, Malaysia expired.

Building Materials Distribution (Canada and USA)

Taiga has cultivated a wide-reaching network of suppliers, forming lasting partnerships that align with the scale and scope of its business. By optimising bulk shipments, Taiga lowers distribution costs and simultaneously provides suppliers with greater market access, reducing their overall risk exposure. In addition, Taiga remains dedicated to offering comprehensive marketing and product support to its suppliers, ensuring mutual success.

SUSTAINABILITY GOVERNANCE

The Group recognises that robust sustainability governance is crucial for successfully integrating sustainable practices throughout its operations. The Board is responsible for overseeing the Group's sustainability strategy and performance, which includes regularly reviewing and approving sustainability goals, targets, and initiatives. The Board consists of six members, including four independent directors, four non-executive directors, and one female director. Ms Chan Lay Hoon, whom was assigned to the Board since 8 March 2019, retired from the Board at the last Annual General Meeting held on 18 April 2024.

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
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
Chan Lay Hoon[1]	Non-Executive, Non-Independent Director	8 March 2019

The senior management team of the Group is actively involved in the ongoing 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 15 to 49 of the Annual Report.

[1] Ms Chan Lay Hoon has retired on 18 April 2024

SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENT

Engaging actively with our stakeholders is essential to the success of our sustainability efforts. Regular communication with both internal and external stakeholders offers important insights into their expectations and concerns, which play a key role in shaping our sustainability strategy and informing our decision-making. The table below outlines our approach to stakeholder engagement and the steps the Group takes to address the primary concerns of each 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.	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

In FY2022, we undertook a comprehensive materiality re-assessment to analyse the sustainability risks and opportunities faced by the Group. This evaluation incorporated our business model, strategy, and the needs and expectations of our stakeholders. From this process, we identified seven key ESG topics for disclosure, which are detailed in the table below. During FY2024, we revisited these topics and affirmed their continued relevance, with no new topics being added. The Board also confirmed that these material topics align with our core operations and remain significant in guiding our sustainability efforts.

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 FY2025. • 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.

SUSTAINABILITY REPORT

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

A breakdown of the Group's economic value generated in terms of revenue by our core business segments and other gains/(losses) for FY2024 and FY2023 are as follows:

By Business Segments (S$ Million)	FY2024	FY2023[2]
Paper Manufacturing (UPP)	26.7	22.1
Building Products (Taiga)	1,592.9	1,669.5
Total	**1,619.6**	**1,691.6**

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 FY2024 and FY2023 are as follows:

Expenses (S$ Million)	FY2024	FY2023[2]
Operating costs and employee wages	1,565.9	1,622.3
Interest expense	6.2	7.0
Tax expense	18.6	11.2
Total	**1,590.7**	**1,640.5**

[2] All financial figures for FY2023 have been restated to exclude the discontinued operations

SUSTAINABILITY REPORT

ECONOMIC PERFORMANCE (CONTINUED)

Taking the difference between economic value generated and distributed, the Group's economic value retained for FY2024 and FY2023 are as follows:

Economic values (S$ Million)	FY2024	FY2023[2]
Economic Value Generated	1,619.6	1,691.6
Economic Value Distributed	(1,590.7)	(1,640.5)
Economic Value Retained	**28.9**	**51.1**

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

Reconciliation (S$ Million)	FY2024	FY2023[2]
Economic Value Retained	**28.9**	**51.1**
Add: Other gains/(losses)	3.0	(13.2)
Net Profit After Tax from Continuing Operations	**31.9**	**37.9**

While UPP showed significant growth, this was offset by a larger decrease in Taiga, which constitutes the majority of the Group's revenue. As such, overall revenue decreased by 4.3%. Economic value distributed also decreased by 3%, due to the reduction in operating costs and employee wages, in line with the decrease in Taiga's revenue, which accounted for more than 95% of the Group's revenue. Consequently, economic value retained decreased by nearly 1.8 times, and net profit after tax from continuing operations decreased by 15.8%.

[2] All financial figures for FY2023 have been restated to exclude discontinued operations

SUSTAINABILITY REPORT

ECONOMIC PERFORMANCE (CONTINUED)

Taiga Building Products Ltd.

Taiga's revenue decreased by 4.6% compared to FY2023. The decrease in profit margins is primarily due to the decline in commodity prices, which has impacted the profitability of the commodity products within our building products business.

Taiga's financial performance is closely linked to the residential construction, renovation, and repair sectors across North America. These markets are heavily influenced by broader economic dynamics, including interest rate changes and prevailing market trends, which can cause significant fluctuations in demand. Nevertheless, Taiga continues to contribute more than 95% of the Group's total revenue.

UPP Pulp & Paper (M) Sdn Bhd.

While we achieved a 20.8% increase in revenue compared to FY2023, we still experienced an overall net loss in the paper manufacturing business for FY2024. This is attributed to inventory write-offs, termination benefits, plant and equipment write-offs and accruals for payments related to committed gas supplies resulting from the cessation of paper manufacturing operations when the gas supply contract for our paper mill expired on 31 December 2024.

SUSTAINABILITY REPORT

EMPLOYMENT

At Avarga, we recognise that our employees are our most valuable asset and key drivers of economic growth. Their dedication and hard work are essential to delivering excellent products and services. Furthermore, they play a crucial role in shaping our company culture through their attitudes, behaviours, and values. A positive work environment fosters employee attraction, retention, and overall workplace satisfaction. We believe that our people are the cornerstone of our success, bringing their dedication and energy to drive our business forward.

We are committed to maintaining fair employment practices and providing a competitive, fair, and merit-based benefit and reward system. This includes comprehensive insurance coverage, maternity and paternity benefits for all full-time employees, and transparent, risk-weighted bonus and pay-for-performance incentive schemes. Our employee handbook and human resource policies outline these practices in detail, ensuring clarity and consistency. We maintain comprehensive human resource management policies focused on merit-based recruitment, development, and retention.

We offer all employees equal opportunities to showcase their knowledge, skills, and experience. Performance appraisals are conducted through open, two-way communication to understand employees' needs and address any challenges they may face. Our reward system includes transparent, performance-based bonus structures and incentive programmes. To facilitate continuous growth and improvement, we hold regular departmental meetings to gather employee feedback and identify areas for development. This approach allows us to improve their performance and create a supportive work environment.

We recognise the importance of equitable parental leave for all employees, regardless of location. We adhere to all local statutory and contractual parental leave requirements in each jurisdiction where we operate. As parental leave entitlements vary by region, region-specific data is not included in this report. However, we are committed to ensuring that all employees with children receive the appropriate parental leave as mandated by the laws and regulations of their respective jurisdictions.

We track key performance indicators (KPIs) such as the number of new hires and resigned/terminated staff to gauge the effectiveness of our employment practices and identify areas for improvement. Our target is to continue ensuring a stringent hiring process while upholding fair employment practices and providing equal opportunities to all potential candidates.

The following tables provide a breakdown of our workforce by gender and geographic region:

Region	FY2024			FY2023[3]		
	Male	Female	Total	Male	Female	Total
Singapore	3	4	**7**	4	3	**7**
Malaysia	115	19	**134**	119	19	**138**
Canada and USA	473	120	**593**	467	108	**575**
Total	**591**	**143**	**734**	**590**	**130**	**720**

3 FY2023 employment figures have been restated to exclude discontinued operations

EMPLOYMENT (CONTINUED)

All employees in Singapore and Malaysia are full-time, permanent employees. A detailed breakdown of the 593 individuals employed within Taiga in Canada and the USA is provided below. Additionally, Taiga engages two (2) workers who are not classified as employees.

Employee profile (Taiga)

Type of employee	FY2024	FY2023
All employees	**593**	**575**
Permanent employees	589	569
Temporary employees	4	6
Full-time employees	585	436
Part-time employees	8	139

UPP Pulp & Paper (M) Sdn Bhd.

Performance

UPP saw a significant increase in new hires across the board, resulting in an overall new hire rate[4] of 10.4% (FY2023: 3.6%). The increase in new hires was mostly due to foreign workers replacing those who left when their contracts expired. Overall, we reduced headcount, as shown in the above workforce table.

Turnover decreased in most categories, resulting in a turnover rate[5] of 13.4% (FY2023: 16.7%). This is due to staff staying with the company as we tried to turn around the business, which showed improvement throughout the year until we decided to cease operations due to the expiry of the gas supply contract after 31 December 2024.

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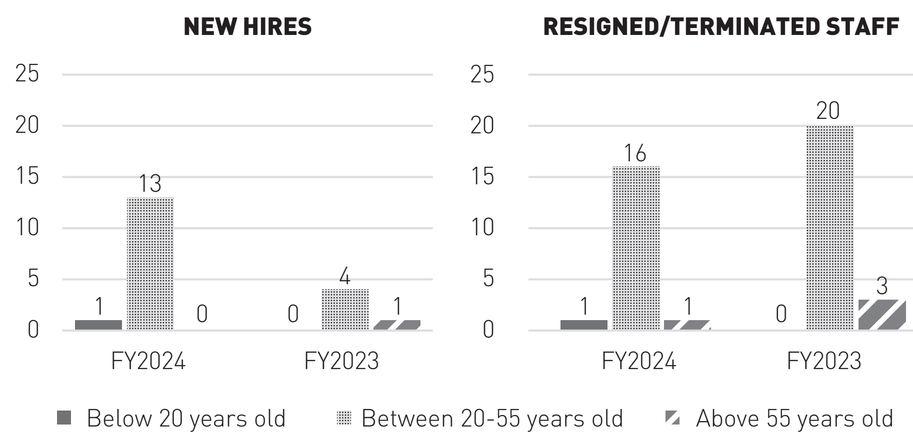
[4] New hire rate = total new hires/total employees
[5] Turnover rate = total resignees/total employees

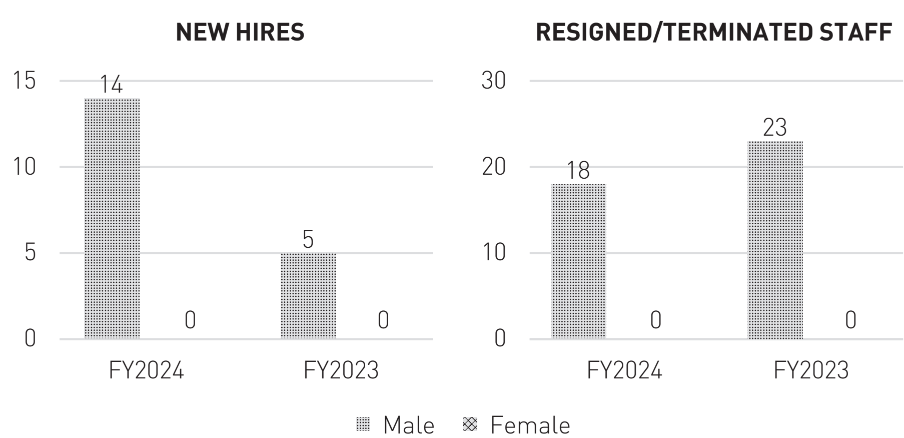
SUSTAINABILITY REPORT

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's parental leave policies cover both maternity and paternity leave. Employees utilising these benefits are guaranteed to return to their same position or a comparable one. Parental leave utilisation at UPP is detailed below:

Parental Leave	FY2024			FY2023		
	Female	Male	Total	Female	Male	Total
Number of employees entitled to parental leave	19	66	85	19	68	87
Number of employees who took parental leave during the reporting period	–	1	1	2	4	6
Number of employees that returned to work in the reporting period after parental leave ended	–	1	1	2	4	6
Total number of employees due to return to work after taking parental leave	–	1	1	2	4	6
Number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	–	1	1	–	–	–
Return to work rate[6]	N.A.[7]	100%	100%	100%	100%	100%
Retention rate[8]	0%	25%	25%	0%	N.A.[9]	0%

6 Return to work rate = total employees who returned to work in the reporting period/Total number due to return to work after taking parental leave
7 There were no female employees that took parental leave in FY2024
8 Retention rate = total employees who returned to work and were still employed 12 months later/total employees returning from parental leave in the prior reporting period
9 There were no male employees that took parental leave in FY2022

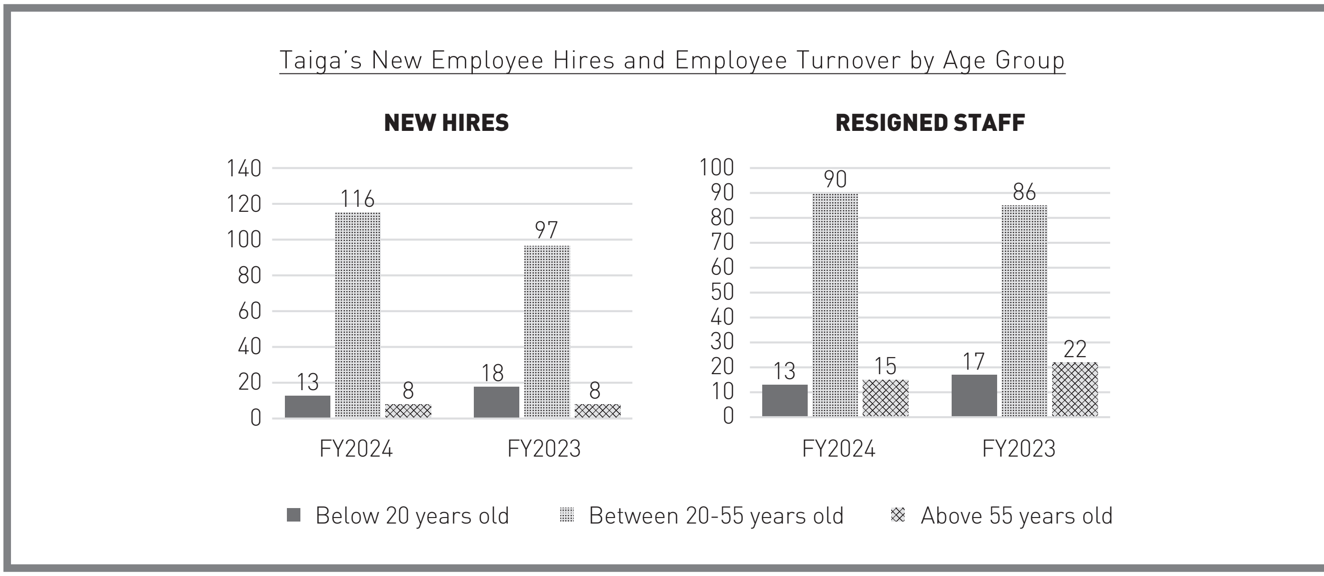
SUSTAINABILITY REPORT

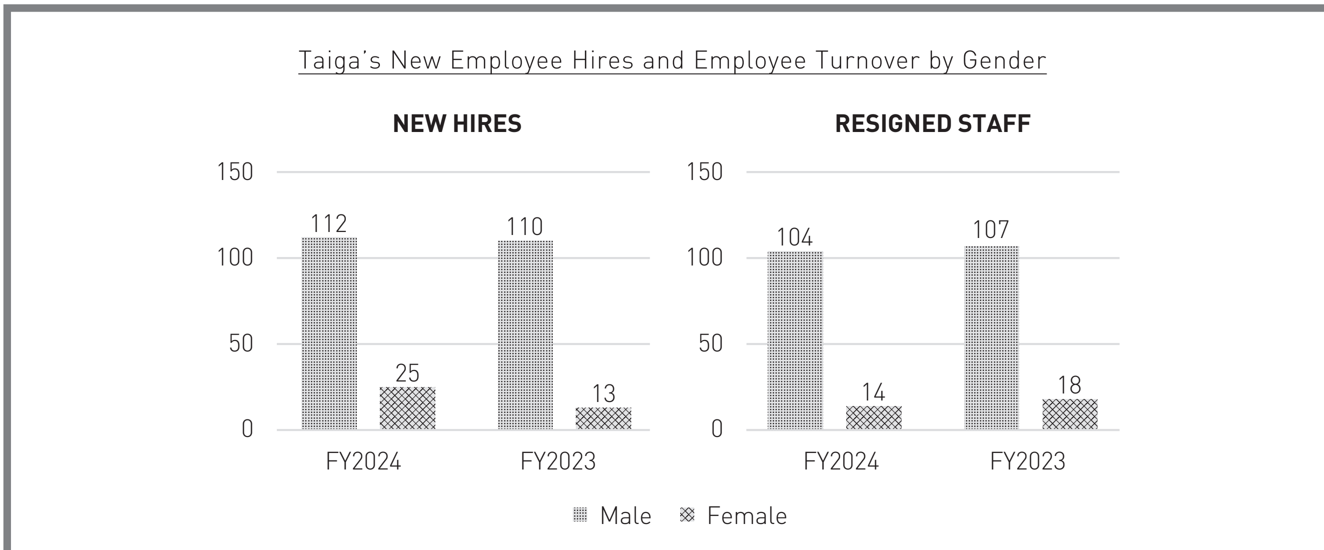
EMPLOYMENT (CONTINUED)

Taiga Building Products Ltd.

Performance

During this reporting period, Taiga maintained a consistent total staff strength with no significant fluctuations. The new hire rate for FY2024 was 23.1%, a slight increase from 21.4% in FY2023. Similarly, the turnover rate, which stood at 21.7% in FY2023, saw a slight decrease to 19.9% in FY2024.





SUSTAINABILITY REPORT

EMPLOYMENT (CONTINUED)

Parental Leave Entitlement by Gender

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

Parental Leave	FY2024			FY2023		
	Female	Male	Total	Female	Male	Total
Number of employees entitled to parental leave	120	473	593	108	467	575
Number of employees who took parental leave during the reporting period	4	1	5	–	–	–
Number of employees that returned to work in the reporting period after parental leave ended	–	–	–	2[10]	–	–
Total number of employees due to return to work after taking parental leave	4	1	5	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	–	2
Return to work rate	N.A.[11]	N.A.[11]	N.A.[11]	100%	100%	100%
Retention rate	N.A.[12]	N.A.[12]	N.A.[12]	100%	100%	100%

[10] The two employees who returned from leave started their paternal leave in FY2022
[11] Staff have yet to return from parental leave
[12] No staff took parental leave in FY2023

SUSTAINABILITY REPORT

TRAINING AND EDUCATION

With a workforce of over 700 employees across multiple countries, we recognise the invaluable contributions of each individual to our success. Our training and development programs are designed to align employee goals with the Group's objectives, driving sustainable value creation.

We are committed to providing continuous training and career development opportunities, equipping our employees with the skills and knowledge they need to thrive in a dynamic business environment. This investment is essential to maintaining our competitive edge. A dedicated budget supports seminars and workshops focused on upskilling, cross-skilling, and reskilling. We continuously refine our training programs to ensure alignment with the Group's strategic plans and evolving needs, enabling employees to perform effectively as the business grows. Furthermore, we are committed to a fair and inclusive workplace and ensure that all training opportunities are accessible to every employee.

New Hires

New employees participate in a structured orientation program upon joining the Group, designed to prepare them for their roles and integrate them into our company culture and work environment. Supervisors also provide ongoing on-the-job training for both new and existing staff, supporting continuous skills and competency development. This informal training is a valuable opportunity for employees to learn and enhance their job performance.

Performance Appraisals

All employees participate in an annual performance appraisal process. Supervisors use this opportunity to identify areas for improvement and recognise outstanding achievements. These evaluations inform the identification of employee learning and development needs, enabling supervisors to strategically allocate resources to support both personal and professional growth.

Taiga Building Products Ltd.

We organise management meetings as well as Rising Stars meetings, designed for promising employees with leadership potential. These sessions provide comprehensive training on key topics such as sales, inventory management, and financial management. The Group also invest in employee development by covering the costs of professional education, including accounting designations and MBAs. Additionally, our yard staff receive forklift training to ensure safety and efficiency. All employees participate in regular training on new Taiga system features, including upgrades to our ERP system, bisTrack, to enhance operational effectiveness.

To facilitate our employees' continued employability and the management of career endings due to the retirement or termination of employment, we cover the expenses of such transition assistance services for some of our departing staff.

TRAINING AND EDUCATION (CONTINUED)

UPP Pulp & Paper (M) Sdn Bhd

During FY2024, our employees participated in a total of 18 external training courses, an increase from the 16 courses attended in FY2023. Below is a list of employee skills upgrading and transition assistance programs that UPP conducted during FY2024.

No.	Name
1	Seminar Low Value Goods & Sales Tax 2024
2	11KV Distribution Network Switching Sequence & Procedure
3	Restricted Substances & Sustainability in Consumer Products
4	E-invoice Implementation: A Forum A Finance Leader
5	Seminar Pematuhan Aka Kualiti Alam Sekeliling 1974
6	Latest Update on Import Export Facilitation & HC Code by Customs and MITI
7	E-invoicing Webinar: Managing The Impact on HR Related
8	Managing Poor Performance & Termination of Contracts without Violating the Law
9	Update & Progress in E-invoicing Implementation
10	Microsoft Excel (Advanced Level)
11	Industrial Effluent Treatment & Best Treatment
12	Gas Tester and Confines Space Authorised Person
13	Fire Simulation
14	Forklift Train The Trainer
15	OSH Conference 2024
16	Safe Handling Forklift
17	Intensive First Aid & CPR
18	OSH Coordinator

Avarga Limited

In FY2024, a total of 21.5 training hours were undertaken by five (5) employees, resulting in an average of 4.3 hours of training per employee, a decrease from the average of 5.7 hours in FY2023. The training sessions covered on various topics, including payroll management, budget update, Financial Reporting Standards, and updates on tax regulations.

SUSTAINABILITY REPORT

OCCUPATIONAL HEALTH AND SAFETY

The safety and well-being of our employees are paramount to achieving the Group's goals and objectives. We recognise the critical role employee well-being plays in our success and are committed to maintaining a work environment that prioritises their health and welfare. Comprehensive insurance and medical coverage are provided to all Group employees as part of their benefits package. Our human resource management policies and employee benefits are regularly reviewed to ensure fairness, effectiveness, and competitiveness.

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

We are committed to prioritising the health and safety of our employees and have implemented an OHS management system across all business divisions. This system ensures compliance with all legal requirements while incorporating recommended industry standards and best practices.

Our OHS policies outline clear protocols for reporting workplace accidents and injuries, including subsequent incident investigations. Employees are required to promptly report any incidents to their manager or supervisor to ensure immediate and appropriate action. All incidents are documented, and management is informed. Reports are filed with local authorities as required. Where applicable, corrective actions are implemented following an incident to prevent future occurrences.

Mandatory health and safety training sessions are conducted to prevent accidents and familiarise employees with our OHS policies. Employees are required to understand all safety regulations and consistently use Personal Protective Equipment ("**PPE**") when operating machinery, handling heavy equipment, or working with chemicals. They must also be aware of the inherent safety hazards associated with specific work procedures and machinery. Finally, we emphasise fire safety by maintaining functional safety alarms and conducting regular fire drills to ensure employees are proficient in safety evacuation procedures.

UPP Pulp & Paper (M) Sdn Bhd

Due to the inherent risks associated with UPP's manufacturing operations, we have implemented targeted measures to enhance workplace safety, focusing on fire safety and hygiene specifically within the production environment. Stringent protocols govern equipment handling and sanitation within both the paper mill and processing plant to minimise the risk of cross-contamination.

Safety Committee

UPP maintains a Safety Committee to ensure the effective implementation of our workplace safety and health policies. Employees are encouraged to provide suggestions, feedback, or concerns to committee members, either verbally or in writing via email. The committee holds regular meetings to identify areas for improvement and develop strategies to mitigate or eliminate workplace hazards.

OCCUPATIONAL HEALTH AND SAFETY (CONTINUED)

Performance

Work-related injuries	FY2024		FY2023	
	Number	Rate[13]	Number	Rate[13]
Number of hours worked	328,300	N.A.	338,100	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)	7	4.26	3	1.77

The table above illustrates the occurrences of OHS accidents at UPP over the last two years. In FY2024, there were seven (7) recordable work-related incidents which resulted in injuries which includes lacerations and cuts. This is an increase from three (3) recordable work-related injuries recorded in FY2023. Management is aware of the rise in OHS accidents in FY2024 and has implemented corrective measures to reduce incidents. This includes enforcement of standard operating procedures on safe operation and regular safety briefings for employees, aimed at enhancing their awareness and adherence to safety protocols. The safety and well-being of our employees remain our top priority, and we are dedicated to fostering a safe working environment for all.

Taiga Building Products Ltd.

Taiga's Health, Safety, and Environment ("**HSE**") policies and procedures are integrated into our Employee Manual. Our core HSE principle is prevention through education, aimed at minimising workplace accidents. The policy outlines safety measures and guidelines for managing risks associated with workplace safety and health hazards, with the goal of reducing work-related injuries and illnesses. It also defines the roles and responsibilities of both employees and management in incident management and response.

New employees receive comprehensive training on Safety Procedures, Confined Spaces, the Workplace Hazardous Materials Information System, Lock-Out protocols, and the proper use of Personal Protective Equipment as part of their orientation.

[13] Injury rates are calculated based on 200,000 hours worked

SUSTAINABILITY REPORT

OCCUPATIONAL HEALTH AND SAFETY (CONTINUED)

Health And Safety Committee

The Health and Safety Committee is responsible for investigating accidents, promoting awareness of workplace safety regulations, and recommending safety improvements. The committee actively monitors data on work-related injuries and illnesses, analyses employee injury data, and identifies and implements corrective actions. They also oversee high-risk activities and disseminate information on near-miss incidents. Regular safety briefings reinforce potential risks and safe operating procedures, emphasising adherence to safety protocols and occupational health measures.

Performance

Work-related injuries	FY2024		FY2023	
	Number	Rate[14]	Number	Rate[14]
Number of hours worked	1,233,000	N.A.	1,196,000	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)	15	2.43	13	2.17

The table above shows the number of OHS accidents for Taiga in FY2023 and FY2024. In FY2024, there were fifteen (15) recordable work-related incidents which resulted in injuries, consisting of slip/fall and sprains. Overall, in comparison to FY2023, Taiga experienced a slight increase in both the number and rate of work-related injuries. Management acknowledges the rise in OHS accidents for FY2024 and taken all necessary mitigating steps to reduce the number of incidents and has implemented comprehensive measures to curtail incidents such as enforcing our standard operating procedures on safe operation and implementing regular safety briefings regarding workers' duties to the employees to improve their awareness of the safety protocols.

[14] Injury rates are calculated based on 200,000 hours worked

ANTI-CORRUPTION

The Group is committed to generating sustainable value for all stakeholders through strong corporate governance and ethical business conduct. Sound corporate governance is essential for protecting the interests of shareholders, customers, employees, and the wider community. We maintain a zero-tolerance policy towards bribery, corruption, and malpractice. Our Whistleblowing Policy, along with established procedures for Interested Persons Transactions, provides the framework for managing and preventing corruption within the Group.

Whistleblowing Policy

Our Whistleblowing Policy[15] provides a confidential and direct channel for employees to report workplace misconduct or suspected wrongdoings. The policy includes the email address of the Audit and Risk Management Committee Chairman to ensure secure reporting. All reports made in good faith are treated with strict confidentiality, and whistleblowers are protected from retaliation. We are committed to transparent communication with whistleblowers, taking appropriate action, and ensuring that all concerns are thoroughly addressed. Employees may also raise concerns about potential improprieties, such as financial reporting issues, misconduct, or unlawful activities, with their department head and senior management team.

Interested Persons Transactions Policy

We have established clear procedures for managing Interested Persons Transactions, ensuring prompt reporting of all such transactions to the Audit and Risk Management Committee. These transactions are then thoroughly reviewed by senior executives, the Audit and Risk Management Committee, and/or the Board. The review process considers factors such as transaction value and whether the transactions are conducted on an arm's length basis. Appropriate action is taken as needed following the review. Any Director with a potential conflict of interest is required to abstain from voting, and investigations are conducted as necessary to ensure this.

Performance

We are pleased to report that no whistleblowing reports were filed in FY2024, and there were no incidents of fraud, corruption, or unethical behaviour during the reporting period. This demonstrates the effectiveness of our robust internal controls and ethical guidelines.

15 The Whistleblowing Policy can be found on the Company's website, at https://www.avarga.com.sg/about-us/corporate-governance/

SUSTAINABILITY REPORT

REGULATORY COMPLIANCE

Operating with responsibility and integrity is essential for building trust and confidence with our stakeholders. This trust strengthens relationships and fosters a positive reputation, which are vital for our long-term success.

Code of Conduct Policy

Strong internal policies are crucial for ensuring our compliance with external regulations. To cultivate a positive workplace culture, we have implemented a Code of Conduct Policy that outlines core principles and ethical business standards, guiding employees to perform their duties with integrity. All employees are expected to consistently uphold these high ethical standards in all business interactions, reflecting our commitment to accountability and transparency across the organisation. 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 recognises that non-compliance with laws and regulations can lead to fines, sanctions, and damage to our reputation. To mitigate these risks, we are committed to full compliance with all applicable local laws and regulations in every region where we operate. For instance, in Canada, Taiga adheres to the Canadian Environmental Protection Act. Because regulatory frameworks are constantly evolving, we actively monitor changes in laws and regulations to maintain compliance. We also conduct regular reviews of our business activities to identify and prevent potential legal and regulatory violations.

Performance

In FY2024, the Group maintained full compliance with the laws and regulations of all operating regions, resulting in no significant fines. This record underscores our commitment to adhering to the legal and regulatory requirements in each jurisdiction where we operate.

ENVIRONMENTAL STEWARDSHIP

We are committed to minimising our environmental footprint by integrating sustainability into all decision-making processes. This commitment includes collaborating with our supply chain partners to promote environmentally responsible practices. These efforts aim to create positive, long-term environmental outcomes.

UPP Pulp & Paper (M) Sdn Bhd

Our Malaysia paper mill produces 100% recycled paper, transforming low-impurity scrap paper into new paper rolls certified by the Forest Stewardship Council. This process reflects our commitment to environmental responsibility and provides a sustainable alternative to virgin wood pulp paper. By using recycled materials, we contribute significantly to tree conservation, conserve energy and water, and reduce landfill waste.

During FY2024, our mill generated 38,715 tonnes of recycled paper, marking an increase of 2,382 tonnes from the 36,333 tonnes produced in FY2023. 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 658,155 trees in FY2024, an increase from about 617,661 trees saved in FY2023.

Additionally, our paper production utilised 47,803 tonnes of scrap paper, reflecting an increase of 2,371 tonnes from the 45,432 tonnes utilised in FY2023. As each tonne of recycled paper production conserves approximately 3m³ of landfill space[16], our efforts contributed to the conservation of approximately 116,145m³ of landfill space in FY2024, increase from the 108,999m³ saved in FY2023.

Taiga Building Products Ltd.

Taiga is dedicated to responsible forestry practices, ensuring the sustainable management of forest resources for future generations. We source spruce, pine, fir, and cedar wood from lumber mills that adhere to Canada's strict forest protection laws and obtain their timber from sustainably managed forests.

Our product line reflects the "reduce, reuse, recycle" philosophy. For example, our insulation products contain recycled glass and are formaldehyde-free, contributing to improved indoor air quality. Our Trex composite decking is manufactured from waste wood, reclaimed plastic pallet wrap, and recycled plastic grocery bags. We also offer alternative wood products, such as oriented strand board and engineered wood products, to further diversify our offerings.

Recognised certification

Our Canadian treatment plants are certified by the Canadian Wood Preservation Certification Authority, having successfully passed Environment Canada audits and fully complying with the Technical Recommendation Documents endorsed by both government and industry.

By promoting and distributing treated wood products, we actively contribute to reducing long-term timber demand. Because treated wood is more durable than traditional timber, extending the lifespan of wood products helps conserve forest resources.

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16 This statement is referenced from Greater Miramichi Service Commission's website, at https://www.greatermiramichirsc.ca/three-rs

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 2024 to 31 December 2024 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		
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[17] 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.

[18] All employees within the scope are not covered by collective bargaining agreements.

SUSTAINABILITY REPORT

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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.

SUSTAINABILITY REPORT

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 2024

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2024 and the balance sheet of the Company as at 31 December 2024.

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 95 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 2024 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)
Moey Weng Foong
Andrew Lim Cheong Seng
Lai Ven Li
Kevin Kang Kah Wee

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 2024

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 31.12.2024	At 1.1.2024	At 31.12.2024	At 1.1.2024
Company				
(No. of ordinary shares)				
Tong Kooi Ong	–	–	786,618,653	298,247,000
Tong Ian	–	2,800,000	–	–
Moey Weng Foong	–	625,000	–	–
Andrew Lim Cheong Seng	–	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 31.12.2024	At 1.1.2024
Taiga Building Products Ltd.		
– No. of ordinary shares	107,944,523	107,955,011

The directors' interests in the ordinary shares of the Company as at 21 January 2025 were the same as those as at 31 December 2024.

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**").

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 2024

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.

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:

Lai Ven Li (Chairman) (Appointed on 1 January 2024)
Moey Weng Foong
Andrew Lim Cheong Seng
Kevin Kang Kah Wee (Appointed on 1 January 2024)

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

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 2024 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 CLA Global TS Public Accounting Corporation be nominated as auditors of the Company at the forthcoming Annual General Meeting ("**AGM**") of the Company.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

Independent Auditor

The independent auditor, Moore Stephens LLP, retiring at the forthcoming AGM of the Company, will not be seeking re-appointment.

On behalf of the directors

Tong Kooi Ong
Director

Tong Ian
Director

21 March 2025

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 2024, 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 2024 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.

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 2024, the Group recognised total revenue of S$1.62 billion, with S$1.59 billion from wholesale of building products and S$26.76 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$30.73 million as at 31 December 2024. 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

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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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
21 March 2025

BALANCE SHEETS

AS AT 31 DECEMBER 2024

	Note	Group 2024 $'000	Group 2023 $'000	Company 2024 $'000	Company 2023 $'000
ASSETS					
Current assets					
Cash and cash equivalents	4	200,617	172,094	1,617	5,631
Trade and other receivables	5	150,101	129,724	96,525	107,747
Service concession receivables	6	–	11,325	–	–
Inventories	7	172,309	182,686	–	–
Derivative financial instruments	14	111	–	–	–
Income tax recoverable	27	4,716	14,284	–	–
		527,854	510,113	98,142	113,378
Non-current assets					
Property, plant and equipment	8	129,959	136,499	527	768
Investments in subsidiary corporations	11	–	–	12,018	12,018
Financial assets, at fair value through profit or loss ("**FVPL**")	10	11,374	11,208	–	–
Long term inventories	7	1,776	–	–	–
Intangible assets	12	42,284	44,712	–	–
Deferred tax assets	19	5,173	5,409	–	–
		190,566	197,828	12,545	12,786
Total assets		718,420	707,941	110,687	126,164

The accompanying notes form an integral part of these financial statements

BALANCE SHEETS

AS AT 31 DECEMBER 2024

	Note	Group 2024 $'000	Group 2023 $'000	Company 2024 $'000	Company 2023 $'000
LIABILITIES					
Current liabilities					
Trade and other payables	13	130,623	128,656	547	437
Derivative financial instruments	14	–	204	–	–
Bank borrowings	15	10,108	26,740	–	–
Lease liabilities	16	5,827	5,670	87	134
Current income tax liabilities		–	39	–	–
		146,558	161,309	634	571
Non-current liabilities					
Lease liabilities	16	86,756	89,582	7	94
Deferred gain	17	1,901	2,115	–	–
Provisions	18	32	151	–	–
Deferred tax liabilities	19	7,344	6,736	–	–
		96,033	98,584	7	94
Total liabilities		242,591	259,893	641	665
NET ASSETS		475,829	448,048	110,046	125,499
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)		242,919	219,332	(47,495)	(32,042)
Other reserves	21	(46,182)	(40,357)	74	74
		354,204	336,442	110,046	125,499
Non-controlling interests	11	121,625	111,606	–	–
Total equity		475,829	448,048	110,046	125,499

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	Note	2024 $'000	2023 $'000
Continuing operations			
Revenue	22	1,619,620	1,691,626
Cost of sales		(1,453,849)	(1,495,826)
Gross profit		165,771	195,800
Other gains/(losses), net			
– Interest income – bank deposits		5,983	2,980
– Loss allowance on trade receivables	32(a)(i)	(1,571)	(220)
– Others	23	(1,382)	(15,863)
Expenses			
– Distribution		(32,548)	(32,641)
– Selling and administrative		(79,524)	(93,859)
– Finance	26	(6,226)	(7,047)
Profit before income tax		50,503	49,150
Income tax expense	27	(18,620)	(11,224)
Profit from continuing operations		31,883	37,926
Discontinued operations			
Profit/(loss) from discontinued operations, net of tax	29	4,449	(10,746)
Net profit		36,332	27,180
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
– Losses		(5,521)	(3,619)
Realisation of currency translation reserve upon disposal of subsidiary corporations		(292)	–
Items that will not be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
– Losses		(2,706)	(438)
Other comprehensive loss, net of tax		(8,519)	(4,057)
Total comprehensive income		27,813	23,123
Net profit/(loss) attributable to:			
Equity holders of the Company			
– Continuing operations		19,110	21,673
– Discontinued operations		4,449	(10,746)
		23,559	10,927
Non-controlling interests		12,773	16,253
		36,332	27,180
Total comprehensive income attributable to:			
Equity holders of the Company		17,746	7,308
Non-controlling interests		10,067	15,815
		27,813	23,123
Earnings/(loss) per share ("EPS") for profit/(loss) attributable to equity holders of the Company (cents per share)			
Basic and Diluted EPS			
– Continuing operations	28	2.10	2.38
– Discontinued operations	28	0.49	(1.18)

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

		← 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
2024									
Balance as at 1 January 2024		169,597	(12,130)	219,332	818	(41,175)	(40,357)	111,606	448,048
Profit for the financial year		–	–	23,559	–	–	–	12,773	36,332
Other comprehensive loss for the financial year		–	–	–	–	(5,813)	(5,813)	(2,706)	(8,519)
Total comprehensive income/(loss) for the financial year		–	–	23,559	–	(5,813)	(5,813)	10,067	27,813
Effect of subsidiary corporation's shares buyback and cancelled	11	–	–	28	(10)	(2)	(12)	(48)	(32)
Total transactions with owners, recognised directly in equity		–	–	28	(10)	(2)	(12)	(48)	(32)
Balance as at 31 December 2024		169,597	(12,130)	242,919	808	(46,990)	(46,182)	121,625	475,829

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	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
		← Attributable to equity holders of the Company →							
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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	Note	2024 $'000	2023 $'000
Cash flows from operating activities			
Profit for the year:			
– Continuing operations		31,883	37,926
– Discontinued operations		4,449	(10,746)
		36,332	27,180
Adjustments for:			
– Income tax expense	27	18,960	11,929
– Depreciation of property, plant and equipment		12,688	13,811
– Amortisation of intangible assets	24	2,103	4,979
– Amortisation of deferred gain	23	(116)	(118)
– Gain on disposal of property, plant and equipment	23	(105)	(200)
– Property, plant and equipment written off	23	2,405	–
– Impairment loss on property, plant and equipment	23	162	14,456
– Gain on disposal of a subsidiary corporations	29	(2,383)	–
– Provisions		(114)	(111)
– Loss allowance on trade receivables, net	32(a)(i)	1,571	220
– Loss allowance on service concession receivables		–	13,707
– Net fair value (gain)/loss on derivatives		(315)	424
– Fair value loss on financial asset, at FVPL		9	918
– Finance income	29	(1,879)	(3,090)
– Interest income		(5,983)	(3,001)
– Interest expense	26	6,226	7,047
– Unrealised currency translation loss		726	48
		70,287	88,199
Change in working capital:			
– Trade and other receivables and service concession receivables		(21,494)	8,472
– Inventories		580	52,285
– Trade and other payables		15,544	(21,823)
Cash generated from operations		64,917	127,133
Interest received		5,013	3,001
Interest paid		(5,795)	(5,759)
Income tax paid		(16,069)	(14,278)
Net cash provided by operating activities		48,066	110,097
Cash flows from investing activities			
Proceeds from disposal of subsidiary corporations, net of cash disposed	29	10,152	–
Additions to property, plant and equipment		(4,127)	(5,952)
Proceeds from disposal of property, plant and equipment		114	315
Purchase of financial assets, at FVPL		–	(12,223)
Net cash generated from/(used in) investing activities		6,139	(17,860)

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	Note	2024 $'000	2023 $'000
Cash flows from financing activities			
Repurchase of common shares by a subsidiary corporation	11	(32)	(605)
Principal payment of lease liabilities		(6,411)	(6,271)
Proceeds from bank borrowings		500	2,000
Repayment of bank borrowings		(17,456)	(5,864)
Interest paid		(743)	(1,854)
Dividend paid by a subsidiary corporation to non-controlling interest		–	(6,978)
Net cash used in financing activities		(24,142)	(19,572)
Net increase in cash and cash equivalents		30,063	72,665
Cash and cash equivalents			
Beginning of financial year		172,094	99,815
Effects of currency translation on cash and cash equivalents		(1,540)	(386)
End of financial year	4	200,617	172,094

Reconciliation of liabilities arising from financing activities

			Non-cash changes		
	1 January $'000	Cash flows $'000	Addition $'000	Foreign exchange movement $'000	31 December $'000
2024					
Lease liabilities	95,252	(6,411)	6,932	(3,190)	92,583
Bank borrowings	26,740	(16,956)	–	324	10,108
2023					
Lease liabilities	96,982	(6,271)	4,253	288	95,252
Bank borrowings	31,015	(3,864)	–	(411)	26,740

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

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 2024

On 1 January 2024, 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.

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 2024

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 2024

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 2024

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 2024

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 2024

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.

At initial recognition

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.

At subsequent measurement

(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 2024

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 32(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.

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 2024

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.18 Provisions (Continued)

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.

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.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.19 Employee compensation (Continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.19 Employee compensation (Continued)

(e) *Termination benefits*

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises cost for a restructuring that is within the scope of SFRS(I) 1-37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

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.

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".

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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.

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.

2.23 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.23 Currency translation (Continued)

(b) *Transactions and balances* (Continued)

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.

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. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.28 Non-current assets (or disposal groups) held-for-sale and discontinued operations (Continued)

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

(a) represents a separate major line of business or geographical area of operation; or

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operation; or

(c) is a subsidiary acquired exclusively with a view to resale.

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 to 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.

(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 continued financial losses and management's decision to cease of the paper manufacturing operations after 31 December 2024.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3.1 Critical accounting estimates and assumptions (Continued)

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

As disclosed in Note 8, the Group carried out the impairment testing on property, plant and equipment related to the paper manufacturing business based on management's assessments of the higher of VIU and fair value less costs to sell. In carrying out this assessment, management has considered the impact of the events set out in Note 34.

In 2023, the recoverable amounts of the CGU which the assets belong were determined based on VIU calculations. The VIU calculations were based on a discounted cash flow model. The recoverable amount was 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 were disclosed in Note 8.

The sensitivity analysis below were 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.

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

(c) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3.1 Critical accounting estimates and assumptions (Continued)

(c) *Current and deferred tax* (Continued)

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 2024, the Group's trade and service concession receivables before loss allowance amounted to $133,367,000 (2023: $119,289,000) (Note 5) and $Nil (2023: $25,032,000) (Note 6) respectively, arising from the Group's different revenue segments – wholesale of building products, trading of paper products and power plant operations.

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 $2,505,000 (2023: $984,000) (Note 5) and $Nil (2023: $13,707,000) (Note 6) for trade and service concession receivables respectively were recognised as at 31 December 2024.

The Group's and the Company's credit risk exposure for trade and service concession receivables are set out in Note 32(a)(i).

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

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

(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 2024, the Group's lease liabilities, which are measured with reference to an estimate of the lease terms, amounted to $92,583,000 (2023: $95,252,000), of which $72,720,000 (2023: $70,296,000) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

4. CASH AND CASH EQUIVALENTS

	Group		Company	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Cash at bank and on hand	153,828	112,156	1,611	5,625
Short-term bank deposits	46,789	59,938	6	6
	200,617	172,094	1,617	5,631

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	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
United States Dollar	14,047	4,648	882	1,681

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. At 31 December 2024, the facility has not been used. The terms, conditions and covenants of the Facility have been met as at 31 December 2024.

5. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Trade receivables – non-related parties	133,367	119,289	19	–
Less: Loss allowance (Note 32(a)(i))	(2,505)	(984)	–	–
Trade receivables – net	130,862	118,305	19	–
Non-trade amounts due from subsidiary corporations	–	–	130,532	134,339
Deposits	57	72	53	53
Prepayments	3,715	5,597	21	17
Other receivables – non-related parties	15,467	5,750	13	–
	19,239	11,419	130,619	134,409
Less: Loss allowance (Note 32(a)(ii))	–	–	(34,113)	(26,662)
	19,239	11,419	96,506	107,747
	150,101	129,724	96,525	107,747

5. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables of $127,053,000 (2023: $113,984,000) 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 $8,600,000 (2023: $21,696,000) is recognised for the financial year ended 31 December 2024.

During the financial year, the Company assigned and transferred the non-trade amounts due from subsidiary corporation of $12,804,000 to the purchaser upon the completion of the disposal of UPP Greentech Group (Note 29).

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	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
United States Dollar	322	351	18,058	31
Canadian Dollar	–	–	75,205	89,913

6. SERVICE CONCESSION RECEIVABLES

	Group	
	2024 $'000	2023 $'000
Service concession receivables	–	25,032
Less: Loss allowance (Note 32(a)(i))	–	(13,707)
	–	11,325

6. SERVICE CONCESSION RECEIVABLES (CONTINUED)

	Group	
	2024 $'000	2023 $'000
Current		
Service concession receivables	–	15,684
Less: Loss allowance	–	(4,359)
	–	11,325
Non-current		
Service concession receivables	–	9,348
Less: Loss allowance	–	(9,348)
	–	–
Total	–	11,325

Following the disposal of the UPP Greentech Group completed on 10 July 2024 (Note 29), no service concession receivables were recognised in the Group's consolidated financial statements for the financial year ended 31 December 2024.

For the financial year ended 31 December 2023, the Group recognised finance income of $3,090,000 as revenue from service concession arrangement (Note 29). The effective interest rate applied was 12% per annum.

The carrying amount of the non-current portion of service concession receivables as at 31 December 2023 approximated its fair value.

The service concession receivables were 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 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.

Under the service concession arrangement, the Group was 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 was responsible for operating the plant and sale of electrical energy generated by it to EPGE, the off-taker. The concession period for the plant was 30 years. During the concession period, the Group received guaranteed minimum annual payments from EPGE. These guaranteed minimum annual payments were recognised as financial receivables to the extent that the Group had contractual rights under the concession arrangements. The financial receivables were measured on initial recognition at their fair value.

6. SERVICE CONCESSION RECEIVABLES (CONTINUED)

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

As at 31 December 2023, a loss allowance of $13,707,000 was made following management's assessment of credit risk under SFRS(I) 9. Although there was no default on payment, the Group determined that the credit risk on the service concession receivables had increased significantly, taking into consideration forward-looking information on the risk of foreign currency shortages, a weakening economy and since October 2022, Myanmar had 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 had issued sanctions against Myanmar. Accordingly, lifetime ECL was applied on the service concession receivables as disclosed in Note 32(a)(i).

7. INVENTORIES

	Group	
	2024 $'000	2023 $'000
Current		
At cost		
Building products:		
– Allied building products	35,181	34,528
– Lumber products	98,701	104,660
– Panel products	34,363	30,129
Paper products:		
– Finished goods	2,627	6,328
– Raw materials	–	1,856
Work-in-progress	3	–
Production consumables	1,434	5,185
	172,309	182,686

The cost of inventories recognised as an expense and included in "cost of sales" amounted to $1,367,256,000 (2023: $1,409,130,000). The Group has recognised a write-down on its slow-moving inventories amounting to $3,257,000 (2023: $1,187,000) (Note 24).

Inventories of $169,680,000 (2023: $174,060,000) of the Group have been pledged as security for the revolving credit facility of the Group (Note 4).

Long term inventories of $1,776,000 (2023: $Nil) relates to the two properties, which are held for development and future sale.

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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							
2024							
Cost							
Beginning of financial year	8,947	138,753	83,693	5,572	2,165	8,960	248,090
Additions	–	5,302	4,935	411	–	380	11,028
Disposal of subsidiary corporations (Note 29(c))	–	–	(101)	(8)	–	–	(109)
Disposals	–	–	(320)	(4)	–	–	(324)
Written off	–	–	(5,110)	(1,244)	–	–	(6,354)
Currency translation differences	236	(2,323)	3,389	(78)	67	(1,036)	255
End of financial year	9,183	141,732	86,486	4,649	2,232	8,304	252,586
Accumulated depreciation and impairment losses							
Beginning of financial year	–	37,738	65,118	1,998	1,177	5,560	111,591
Charge for the financial year							
– Continuing operations (Note 24)	–	7,705	3,444	489	246	801	12,685
– Discontinued operations	–	–	3	–	–	–	3
Disposal of subsidiary corporations (Note 29(c))	–	–	(39)	(7)	–	–	(46)
Disposals			(314)	–	–	–	(314)
Written off	–	–	(2,868)	(1,081)	–	–	(3,949)
Impairment losses recognised in profit or loss (Note 23)	–	–	–	–	162	–	162
Currency translation differences	–	(410)	3,025	45	91	(256)	2,495
End of financial year	–	45,033	68,369	1,444	1,676	6,105	122,627
Net book value							
End of financial year	9,183	96,699	18,117	3,205	556	2,199	129,959

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	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							
– Continuing operations (Note 24)	–	7,077	5,146	528	225	829	13,805
– Discontinued operations	–	–	5	1	–	–	6
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	65,118	1,998	1,177	5,560	111,591
Net book value							
End of financial year	8,947	101,015	18,575	3,574	988	3,400	136,499

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold building $'000	Furniture, fixtures, and office equipment $'000	Motor vehicles $'000	Total $'000
Company				
2024				
Cost				
Beginning of financial year	388	81	560	1,029
Additions	–	4	–	4
End of financial year	388	85	560	1,033
Accumulated depreciation				
Beginning of financial year	184	68	9	261
Charge for the financial year	129	4	112	245
End of financial year	313	72	121	506
Net book value				
End of financial year	75	13	439	527
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

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the financial year ended 31 December 2024, the Group's additions to property, plant and equipment included an amount of $6,932,000 (2023: $4,253,000) 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).

As of 31 December 2024, the development costs of the computer systems projects that are not ready for use were $548,000 (2023: $1,878,000). No depreciation has been recognised on the components that are not ready for use. Furthermore, the Group has recorded an asset retirement obligation ("**ARO**") of $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. A net of $2,878,000 in escrow funds was received in 2023 from the previous owners of Exterior Wood, Inc.. A corresponding liability of $5,476,000 (2023: $5,288,000) is recorded under provisions in Note 13 and Note 18.

During the financial year, the Group recorded an impairment loss of $162,000 (2023: $14,456,000) 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 impairment test carried out by the Group was based on management's assessments of the higher of VIU and fair value less costs to sell. In carrying out this assessment, management has considered the impact of the events set out in Note 34. In 2023, the recoverable amount was estimated through its VIU calculation, which were 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.

As at 31 December 2024, the Group has written-off the net book value of plant and machinery, furniture fixtures and office equipment relating to the Group's paper mill reportable segment due to the cessation of the Group's paper manufacturing business after 31 December 2024. The net book value of plant and equipment written-off was approximately $2,405,000 (2023: $Nil) (Note 23).

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.

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	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
Leasehold land, buildings and leasehold improvements	78,193	82,309	75	205
Treating equipment, warehouse equipment and plant and machinery	7,540	5,216	–	–
Furniture, fixtures and office equipment	12	24	10	13
	85,745	87,549	85	218

(b) *Depreciation charge during the financial year*

	Group	
	2024	2023
	$'000	$'000
Leasehold land, buildings and leasehold improvements	6,060	5,436
Treating equipment, warehouse equipment and plant and machinery	1,787	2,028
Furniture, fixtures and office equipment	13	13
	7,860	7,477

(c) *Interest expense*

Interest expense on lease liabilities of the Group for the financial year ended 31 December 2024 was $5,250,000 (2023: $5,050,000).

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	
	2024	2023
	$'000	$'000
Lease expense – short-term lease	181	83

(e) Total cash outflow for all the leases during the financial year ended 31 December 2024 for the Group was $11,842,000 (2023: $11,404,000).

(f) Additions of ROU assets during the financial year ended 31 December 2024 for the Group was $6,932,000 (2023: $4,253,000).

	Group		Company	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
Leasehold land, buildings and leasehold improvements	4,992	3,155	–	–
Treating equipment, warehouse equipment and plant and machinery	1,940	1,083	–	–
Furniture, fixtures and office equipment	–	15	–	15
	6,932	4,253	–	15

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10. FINANCIAL ASSETS, AT FVPL

	Group		Company	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Beginning of financial year	11,208	220	–	220
Additions	–	12,223	–	–
Fair value loss (Note 23)	(9)	(918)	–	(220)
Currency translation differences	175	(317)	–	–
End of financial year	11,374	11,208	–	–
Non-current				
Non-listed securities:				
Equity securities – private Asian Real Estate Fund	9,094	8,813	–	–
Debt securities – private guaranteed bond	2,280	2,395	–	–
	11,374	11,208	–	–

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

The investment in the private Asian Real Estate Fund is denominated in USD, which is different from the subsidiary corporation's functional currency.

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	
	2024 $'000	2023 $'000
Equity investments at cost		
Beginning and end of financial year	15,422	15,422
Allowance for impairment		
Beginning of financial year	(3,404)	–
Addition	–	(3,404)
End of financial year	(3,404)	(3,404)
Carrying amount	12,018	12,018

In the previous financial year, the Company recorded an impairment loss of $3,404,000 on the investment in a subsidiary corporation as the carrying value exceeded the recoverable amount.

11. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

The Group has the following subsidiary corporations as at 31 December 2024 and 2023:

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	
			2024 %	2023 %	2024 %	2023 %	2024 %	2023 %
Held by the Company								
UPP Industries Pte. Ltd.[1]	Singapore	Investment holding	100	100	100	100	–	–
UPP Greentech Pte. Ltd.[4][6]	Singapore	Investment holding	–	100	–	100	–	–
Avarga Investment Pte.Ltd.[1]	Singapore	Investment holding	100	100	100	100	–	–
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][6]	Myanmar	Design, operate and maintain power plants for electricity generation and sell the electricity produced to the Myanmar Government	–	–	–	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	72	28	28

NOTES TO THE FINANCIAL STATEMENTS

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11. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

(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.

(6) Disposed on 10 July 2024 (Note 29).

Carrying value of non-controlling interests

	Group	
	2024 $'000	2023 $'000
Taiga Building Products Ltd. ("**Taiga**") and its subsidiary corporations	121,625	111,606

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

	2024 $'000	2023 $'000
Current		
Assets	502,879	464,763
Liabilities	(131,954)	(131,126)
Total current net assets	370,925	333,637
Non-current		
Assets	177,940	182,872
Liabilities	(95,954)	(98,490)
Total non-current net assets	81,986	84,382
Net assets	452,911	418,019

11. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Summarised statement of comprehensive income for the financial year ended 31 December

	2024 $'000	2023 $'000
Revenue	1,592,861	1,669,502
Profit before income tax	64,213	72,037
Income tax expense	(18,609)	(14,104)
Net profit	45,604	57,933
Other comprehensive income/(loss)	10,440	(3,458)
Total comprehensive income	56,044	54,475
Total comprehensive income allocated to non-controlling interests	10,067	15,815
Dividends paid to non-controlling interests	–	6,978

Summarised cash flows for the financial year ended 31 December

	2024 $'000	2023 $'000
Net cash provided by operating activities	46,946	106,882
Net cash used in investing activities	(3,750)	(16,542)
Net cash used in financing activities	(6,293)	(31,486)

Transaction with non-controlling interests

Deemed acquisition of additional interest in a subsidiary corporation

During the financial year, Taiga acquired 10,488 (2023: 216,310) shares of its own in the open market for a cash consideration of C$32,405, i.e. approximately $32,000 (2023: C$601,040, i.e. approximately $605,000). This has resulted in a decrease in non-controlling interests of $48,000 (2023: $697,000) and an increase in equity attributable to owners of the Company of $16,000 (2023: $92,000). The effect of the Taiga shares buy-back transactions is summarised as follows:

	2024 $'000	2023 $'000
Carrying amount of non-controlling interests deemed acquired	48	697
Consideration transferred to non-controlling interests	(32)	(605)
Increase in equity attributable to owners of the Company	16	92

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

12. INTANGIBLE ASSETS

	Group	
	2024	2023
	$'000	$'000
Composition		
Goodwill (Note (a))	30,730	31,380
Customers relationships and brand name (Note (b))	10,730	11,762
Favourable lease terms (Note (c))	824	1,570
	42,284	44,712

(a) Goodwill

	Group	
	2024	2023
	$'000	$'000
Cost		
Beginning of financial year	31,380	31,469
Currency translation differences	(650)	(89)
End of financial year	30,730	31,380
Accumulated impairment		
Beginning and end of financial year	–	–
Net book value		
End of financial year	30,730	31,380

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	
	2024	2023
	$'000	$'000
Building products		
Canada	20,062	21,078
United States	10,668	10,302
	30,730	31,380

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% (2023: 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 9.5% and 11.3% (2023: 9.7% and 11.0%) 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	
	2024 $'000	2023 $'000
Cost		
Beginning of financial year	39,530	39,754
Currency translation differences	(425)	(224)
End of financial year	39,105	39,530
Accumulated amortisation		
Beginning of financial year	27,768	23,509
Amortisation charge	1,414	4,276
Currency translation differences	(807)	(17)
End of financial year	28,375	27,768
Net book value		
End of financial year	10,730	11,762

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

12. INTANGIBLE ASSETS (CONTINUED)

(c) Favourable lease terms

	Group	
	2024	2023
	$'000	$'000
Cost		
Beginning of financial year	7,507	7,470
Currency translation differences	(362)	37
End of financial year	7,145	7,507
Accumulated amortisation		
Beginning of financial year	5,937	5,207
Amortisation charge	689	703
Currency translation differences	(305)	27
End of financial year	6,321	5,937
Net book value		
End of financial year	824	1,570

(d) Amortisation expense included in the statement of comprehensive income is analysed as follows:

	Group	
	2024	2023
	$'000	$'000
Administrative expenses (Note 24)	2,103	4,979

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
Trade payables – related parties	–	–	79	16
Trade payables – non-related parties	46,532	45,264	–	–
Accrued operating expenses	78,060	77,255	391	342
Other payables – non-related parties	127	140	77	79
Provisions (Note 18)	5,904	5,997	–	–
	130,623	128,656	547	437

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	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
United States Dollar	3,287	9,907	79	16

14. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2024 $'000	2023 $'000
Financial assets/(liabilities) at fair value through profit or loss which are held for trading		
– Lumber futures contract	111	(204)

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	
	2024 $'000	2023 $'000
Current		
Unsecured borrowings	10,108	26,740

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	
	2024 $'000	2023 $'000
6 months or less	10,108	26,740

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

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	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
Minimum lease payments due over the lives of the right-of-use leases:				
– Not later than one year	10,755	10,534	88	139
– Between one and five years	37,317	38,013	7	95
– Later than five years	88,724	94,399	–	–
	136,796	142,946	95	234
Less: Future finance charges	(44,213)	(47,694)	(1)	(6)
Present value of lease liabilities	92,583	95,252	94	228

The present values of lease liabilities are analysed as follows:

	Group		Company	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
Current				
– Not later than one year	5,827	5,670	87	134
Non-current				
– Between one and five years	21,525	21,380	7	94
– Later than five years	65,231	68,202	–	–
	86,756	89,582	7	94
Total	92,583	95,252	94	228

16. LEASE LIABILITIES (CONTINUED)

As at 31 December 2024, 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% (2023:3.9% to 6.2%).

For the financial year ended 31 December 2024, expenses for short term leases that were not capitalised as right-of-use assets totalled to $181,000 (2023: $83,000). 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 2024 amounted to $116,000 (2023: $118,000) is included in "Other gains/(losses), net – Others" (Note 23).

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18. PROVISIONS

The following table summarises the movements in the provisions:

	Warranty $'000	ARO S'000	Lease $'000	Total $'000
Group				
2024				
Beginning of financial year	608	5,288	252	6,148
Reversal of provision	(29)	–	–	(29)
Provision utilised	(224)	–	(124)	(348)
Exchange on drip pad provision	–	455	–	455
Amortisation of discount	–	–	10	10
Currency translation differences	(23)	(267)	(10)	(300)
End of financial year	332	5,476	128	5,936
Included in trade and other payables (Note 13)	(332)	(5,476)	(96)	(5,904)
Non-current provisions	–	–	32	32
2023				
Beginning of financial year	470	5,388	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	1	27	2	30
End of financial year	608	5,288	252	6,148
Included in trade and other payables (Note 13)	(608)	(5,288)	(101)	(5,997)
Non-current provisions	–	–	151	151

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.

18. PROVISIONS (CONTINUED)

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%.

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	
	2024 $'000	2023 $'000
Deferred income tax assets		
To be recovered after one year	5,173	5,409
Deferred income tax liabilities		
To be settled after one year	(7,344)	(6,736)
Net deferred income tax liabilities		
To be settled after one year	(2,171)	(1,327)

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19. DEFERRED INCOME TAXES (CONTINUED)

The movement in the net deferred income tax account is as follows:

	Group	
	2024 $'000	2023 $'000
Beginning of financial year	(1,327)	(4,364)
Tax (charged)/credited to		
– Profit or loss (Note 27)	(376)	2,893
– Other comprehensive income	(523)	–
Currency translation differences	55	144
End of financial year	(2,171)	(1,327)

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 $25,078,000 (2023: $17,530,000), $5,464,000 (2023: $3,411,000), $8,628,000 (2023: $8,145,000) and $5,319,000 (2023: $5,319,000) respectively and the Company has unrecognised tax losses and merger and acquisition allowances of approximately $8,334,000 (2023: $7,069,000) and $5,319,000 (2023: $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 $16,744,000 (2023: $8,998,000) related to Avarga (M) Sdn. Bhd. and UPP Pulp & Paper (M) Sdn. Bhd., do not have expiration date. The tax losses of $6,043,000 (2023: $5,705,000) of Avarga (M) Sdn Bhd will expire between 2029 to 2033 and the tax losses of $10,701,000 (2023: $3,293,000) relating to UPP Pulp & Paper (M) Sdn. Bhd. will expire in 2035. The reinvestment allowance of $8,628,000 (2023: $8,145,000) relating to UPP Pulp & Paper (M) Sdn. Bhd. will expire in 2026. The capital allowances and merger and acquisition allowances have no expiry date.

Deferred tax liabilities amounting to approximately $40,400,000 (2023: $37,400,000) 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.

19. DEFERRED INCOME TAXES (CONTINUED)

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					
2024					
Property, plant and equipment	(25,148)	(712)	(523)	1,222	(25,161)
Lease liabilities	23,971	400	–	(1,157)	23,214
Fair value adjustment on acquisition of subsidiary corporations	(4,516)	431	–	205	(3,880)
Deferred gain on sale and leaseback	546	(30)	–	(25)	491
Others	3,820	(465)	–	(190)	3,165
	(1,327)	(376)	(523)	55	(2,171)
2023					
Property, plant and equipment	(32,566)	6,711	–	707	(25,148)
Lease liabilities	24,390	(542)	–	123	23,971
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)

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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				
2024				
Beginning and end of financial year	950,145	(41,832)	169,597	(12,130)
2023				
Beginning and 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.

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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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.

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	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Composition:				
Capital reserve	808	818	74	74
Currency translation reserve	(46,990)	(41,175)	–	–
	(46,182)	(40,357)	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	
	2024	2023
	$'000	$'000
Continuing operations		
Sale of goods – point in time		
– Paper products	26,759	22,124
– Building products	1,592,861	1,669,502
	1,619,620	1,691,626

23. OTHER GAINS/(LOSSES), NET – OTHERS

	Group	
	2024	2023
	$'000	$'000
Continuing operations		
Impairment loss on property, plant and equipment (Note 8)	(162)	(14,456)
Gain on disposal of property, plant and equipment	105	200
Property, plant and equipment written off (Note 8)	(2,405)	–
Bad debts recovered	37	188
Currency exchange gain/(loss), net	1,952	(640)
Amortisation of deferred gain (Note 17)	116	118
Fair value loss on financial assets, at FVPL (Note 10)	(9)	(918)
Termination benefit	(1,202)	–
Others	186	(355)
	(1,382)	(15,863)

24. EXPENSES BY NATURE

	Group	
	2024 $'000	2023 $'000
Continuing operations		
Fees on audit services paid/payable to:		
Auditor of the Company	96	96
Other auditors – network firms	444	452
Other auditors – non-network firms	31	30
Fees on non-audit services paid/payable to:		
Other auditors – network firms	128	104
Other auditors – non-network firms	14	23
Purchase of inventories	1,361,912	1,358,500
Depreciation of property, plant and equipment (Note 8)	12,685	13,805
Amortisation of intangible assets (Note 12(d))	2,103	4,979
Directors' fees	606	623
Employee compensation (Note 25)	82,995	96,507
General office expenses	16,842	14,148
General and professional fees	2,007	1,482
Manufacturing overhead	1,391	1,425
Treating costs	3,671	7,252
Freight/transportation expenses	36,173	36,048
Utilities	9,979	9,270
Inventories write-down (Note 7)	3,257	1,187
Warehouse costs	22,352	24,039
Other expenses	634	539
Changes in inventories	8,601	51,817
Total cost of sales, distribution and selling and administrative expenses	1,565,921	1,622,326

25. EMPLOYEE COMPENSATION

	Group	
	2024 $'000	2023 $'000
Continuing operations		
Salaries, bonuses and wages	82,237	95,675
Employer's contribution to defined contribution plans	316	325
Other short-term benefits	442	507
	82,995	96,507

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26. FINANCE EXPENSES

	Group	
	2024	2023
	$'000	$'000
Continuing operations		
Interest expense		
– Revolving credit facility and other short-term liabilities	741	1,757
– Lease liabilities and bank borrowings	5,250	5,050
– Amortisation of financing costs	235	240
	6,226	7,047

27. INCOME TAX EXPENSE

	Group	
	2024	2023
	$'000	$'000
Tax expense attributable to profit is made up of:		
Profit for the financial year		
From continuing operations		
Current income tax		
– Singapore	–	–
– Foreign	19,292	16,330
	19,292	16,330
Deferred income tax (Note 19)	376	(2,893)
	19,668	13,437
From discontinued operations		
Current income tax		
– Foreign (Note 29(a))	340	705
	20,008	14,142
Over-provision in prior financial year		
From continuing operations		
Current income tax	(1,048)	(2,213)
	18,960	11,929
Tax expense is attributable to:		
– continuing operations	18,620	11,224
– discontinued operations (Note 29(a))	340	705
	18,960	11,929

As at 31 December 2024, the Group recorded income tax recoverable which amounted to $4,716,000 (2023: $14,284,000) 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 2024 and 2023 is as follows:

	Group	
	2024 $'000	2023 $'000
Profit before income tax from continuing operations	50,503	49,150
Tax at the domestic rates applicable to profit in the countries where the Group operates	14,118	11,931
Effects of:		
– Expenses not deductible for tax purposes	4,969	4,183
– Income not subject to tax	(1,916)	(4,189)
– Over-provision of tax in prior financial years	(1,048)	(2,213)
– Effect of change in tax rate	25	(56)
– Deferred tax asset not recognised	2,143	1,558
– Others	329	10
Tax charge	18,620	11,224

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	
	2024	2023
Net profit/(loss) attributable to equity holders of the Company ($'000)		
– continuing operations	19,110	21,673
– discontinued operations	4,449	(10,746)
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	908,314	908,314
Basic and diluted earnings/(loss) per share (cents per share)		
– continuing operations	2.10	2.38
– discontinued operations	0.49	(1.18)
Total basic and diluted earnings per share	2.59	1.20

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29. DISCONTINUED OPERATIONS

On 21 June 2024, the Company entered into a Sale and Purchase agreement ("**SPA**") for the disposal of 100% equity interest in UPP Greentech Pte. Ltd. ("**UPP Greentech**") and its wholly-owned subsidiary, UPP Power (Myanmar) Limited ("**UPP Power**"), collectively known as the UPP Greentech Group, for a sale consideration of US$10,010,000 (equivalent to $13,513,000). Under the terms and conditions of the SPA, the Company has also assigned and transferred the account receivables of $12,804,000 owing by UPP Greentech to the Company to the purchaser. The financial results of UPP Greentech Group have been reclassified to "**Discontinued Operations**" for the financial year ended 31 December 2024 and its prior year financial results have been restated to reflect this change in presentation in the Consolidated Statement of Comprehensive Income. The disposal of UPP Greentech Group was completed on 10 July 2024 with a gain on disposal of $2,383,000.

Below are the results and impact of discontinued operations of UPP Greentech Group:

(a) The results of the discontinued operations of UPP Greentech Group are as follows:

	Group	
	2024	**2023**
	$'000	**$'000**
Financial performance		
Revenue		
– Operating and maintenance income	3,321	5,262
– Finance income	1,879	3,090
	5,200	8,352
Cost of sales	(2,421)	(4,703)
Gross profit	2,779	3,649
Expenses	(373)	(13,690)
Profit/(loss) before income tax	2,406	(10,041)
Income tax expense	(340)	(705)
Profit/(loss) for the year	2,066	(10,746)
Gain on disposal of subsidiary operations	2,383	–
Profit/(loss) from discontinued operations, net of tax	4,449	(10,746)
Basic and diluted earnings/(loss) per share – cents	0.49	(1.18)

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29. DISCONTINUED OPERATIONS (CONTINUED)

(b) The impact of the discontinued operations on the cash flow of the Group was as follows:

	Group	
	2024 $'000	2023 $'000
Net cash from operating activities	–	4,634
Net cash from investing activities	10,152	–
Total cash flows provided by discontinued operations	10,152	4,634

(c) The effect of the disposals on the financial position of the Group was as follows:

	Group 2024 $'000
Carrying amounts of assets and liabilities as at the date of disposal:	
Property, plant and equipment	63
Service concession receivables	9,649
Other receivables	339
Tax recoverable	22
Cash and cash equivalents	1,387
Trade and other payables	(2,012)
Net assets disposed of	9,448
Add: Cumulative exchange differences in respect of net assets of the subsidiary corporations reclassified from equity upon disposal	(292)
Add: Disposal costs	1,974
Gain on disposal of subsidiary corporations	2,383
Total consideration	13,513
Less: Disposal costs paid	(1,974)
Less: Cash balances of discontinued operations	(1,387)
Net cash inflow on disposal of subsidiary corporations	10,152

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

30. 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 2024 and 2023 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	
	2024 $'000	2023 $'000
Salaries and bonuses	5,831	7,330
Directors' fees	606	623
Employer's contribution to defined contribution plans	200	236
Other short-term benefits	423	3,184
	7,060	11,373
Comprise amounts paid/payable to:		
Directors of the Company	2,421	2,812
Directors of the subsidiary corporations	687	3,420
Other key management personnel	3,952	5,141
	7,060	11,373

31. COMMITMENT AND CONTINGENT LIABILITIES

Capital commitment

As of the balance sheet date, the Group has a contractual obligation to purchase a property amounting to C$2,900,000, i.e. approximately $2,773,000, which has not been recognised in the financial statements.

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.

32. 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. 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 2024, there are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions except for 100% of service concession receivables as at 31 December 2023, which was related to one customer of the Group in Myanmar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) ***Credit risk*** (Continued)

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.

The credit ratings of the investments are monitored for credit deterioration.

For credit risk on the cash and cash equivalents, the Group mitigates this risk by using a highly credit worthy institution to hold cash.

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	
	2024	2023
	$'000	$'000
Corporate guarantees provided to banks on subsidiaries' loans	9,924	22,233

(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.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) *Credit risk* (Continued)

(i) Trade and service concession receivables (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) *Credit risk* (Continued)

(i) Trade and service concession receivables (Continued)

The movements in credit loss allowance are as follows:

	Trade receivables $'000	Service concession receivables $'000	Total $'000
Group			
2024			
Balance at beginning of year	984	13,707	14,691
Loss allowance recognised in profit or loss during the financial year on:			
– Assets acquired/originated	1,571	–	1,571
Disposal of subsidiary corporation	–	(13,707)	(13,707)
Currency translation differences	(50)	–	(50)
Balance at end of year	2,505	–	2,505
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

32. 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				
2024				
Receivables measured at lifetime ECL				
Service concession receivables	CC	–	–	–
2023				
Receivables measured at lifetime ECL				
Service concession receivables (Note)	CC	25,032	(13,707)	11,325

Note:
The loss allowance was made following management's assessment of credit risk under SFRS(I) 9. Although there was no default on payment, the Group determined that the credit risk on the service concession receivables for UPP Power (Myanmar) Limited had increased significantly, taking into consideration forward-looking information on the risk of foreign currency shortages, a weakening economy and since October 2022, Myanmar had 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 had issued sanctions against Myanmar. Accordingly, lifetime ECL was 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) ***Credit risk*** (Continued)

(ii) Other financial assets, at amortised cost (Continued)

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.

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 amount due from subsidiary corporations, the Company considered the risk that a credit loss may occur, and recognised a loss allowance of $34.1 million (2023: $26.7 million).

The movements in credit loss allowance are as follows:

	Company	
	2024 $'000	2023 $'000
Balance at beginning of financial year	26,662	4,966
Loss allowance recognised in profit or loss (Note 5)	8,600	21,696
Reversal of allowance during the year	(1,149)	–
Balance at end of financial year	34,113	26,662

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

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.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) *Liquidity risk* (Continued)

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 2024			
Trade and other payables	124,719	–	–
Bank borrowings	10,532	–	–
Lease liabilities	10,755	37,317	88,724
	146,006	37,317	88,724
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
Company			
At 31 December 2024			
Trade and other payables	547	–	–
Lease liabilities	88	7	–
Financial guarantees contracts	9,924	–	–
	10,559	7	–
At 31 December 2023			
Trade and other payables	437	–	–
Lease liabilities	139	95	–
Financial guarantees contracts	22,233	–	–
	22,809	95	–

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) *Liquidity risk* (Continued)

The table below analyses the Group's trading portfolio derivatives financial assets/(liabilities) 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.

	Group	
	2024	2023
	$'000	$'000
Less than 1 year		
Held for trading		
– Net-settled Lumber futures	111	(204)

(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, if needed.

At the balance sheet date, if interest rates had been 100 (2023: 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 $83,000 (2023: $218,000) as a results of higher/lower interest expense on these borrowings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

32. 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 2024 and 2023, 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 5% (2023: 1%) 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	
	2024	**2023**
	$'000	**$'000**
Group		
CAD against SGD		
– Strengthened	717	241
– Weakened	(717)	(241)
Company		
CAD against SGD		
– Strengthened	3,121	746
– Weakened	(3,121)	(746)

32. 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 2024 and 2023.

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.

32. 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	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Net debt	(97,926)	(50,102)	(1,523)	(5,403)
Total capital	433,545	403,336	110,046	125,499
Gearing ratio (times)	N.M	N.M	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 2024 and 2023. The Company is not subjected to capital requirements for the financial years ended 31 December 2024 and 2023.

(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).

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) *Fair value measurements* (Continued)

	Level 1 $'000	Level 2 $'000	Level 3 $'000
Group			
31 December 2024			
Assets			
Financial assets, at FVPL	–	2,280	9,094
Derivative financial instruments	–	111	–
31 December 2023			
Assets			
Financial assets, at FVPL	–	2,395	8,813
Liabilities			
Derivative financial instruments	–	(204)	–

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 2024 and 2023.

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
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

32. 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 2024:

	Valuation method	Level	Inputs	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	909
Investment in a private guaranteed bond bearing interest at 8% per annum together with a share of revenues, maturing on 29 December 2026	Market-related discount rate for similar debt	2	Market-related interest rate	228

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 2024 and 2023.

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.

32. 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 2024		
Financial assets, at amortised cost	347,003	98,121
Financial liabilities, at amortised cost	(227,410)	(641)
31 December 2023		
Financial assets, at amortised cost	307,546	113,361
Financial liabilities, at amortised cost	(244,651)	(665)

(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 2024			
Due from subsidiary corporations	96,507	(88)	96,419
At 31 December 2023			
Due from subsidiary corporations	107,706	(29)	107,677

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

32. 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.

33. 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 three reportable operating segments.

(a) The paper mill division manufactures and sells industrial grade paper products, collect and trades in waste paper products.

(b) Wholesale distribution of building products in Canada, United States and overseas.

(c) Others, which include the corporate and investments segment.

The power plant division operates a 50 MW gas-fired generating plant in Yangon, Myanmar, which was reclassified as discontinued operations upon the disposal of UPP Greentech Group in the current year. Details of the operations of the power plant division are disclosed in Note 29 Discontinued Operations.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

33. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the CODM for the reportable segments are as follows:

Group

	Paper Mill		Building Products		Others		Total for continuing operations	
	2024	2023	2024	2023	2024	2023	2024	2023
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue:								
External customers	26,759	22,124	1,592,861	1,669,502	–	–	1,619,620	1,691,626
Results:								
Cost of sales	(29,850)	(23,526)	(1,423,999)	(1,472,300)	–	–	(1,453,849)	(1,495,826)
Finance expenses	(194)	(370)	(5,477)	(5,244)	(555)	(1,433)	(6,226)	(7,047)
Interest income	51	8	5,720	2,965	212	7	5,983	2,980
Depreciation	(694)	(2,199)	(11,745)	(11,392)	(246)	(214)	(12,685)	(13,805)
Amortisation of intangible assets	–	–	(2,103)	(4,979)	–	–	(2,103)	(4,979)
Impairment loss on property, plant and equipment	(162)	(14,456)	–	–	–	–	(162)	(14,456)
Property, plant and equipment written off	(2,405)	–	–	–	–	–	(2,405)	–
Inventories written down	(1,464)	–	(1,793)	(1,187)	–	–	(3,257)	(1,187)
Termination benefits	(1,202)	–	–	–	–	–	(1,202)	–
Segment (loss)/profit before income tax	(10,142)	(18,717)	64,212	72,037	(3,567)	(4,170)	50,503	49,150

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

33. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the CODM for the reportable segments are as follows (Continued):

Group

	Paper Mill		Power Plant		Building Products		Others		Total		Adjustments and elimination			Per consolidated financial statements	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000	2024 $'000	2023 $'000	2024 $'000	2023 $'000	2024 $'000	2023 $'000	2024 $'000	2023 $'000	Note	2024 $'000	2023 $'000
Assets:															
Additions to:–															
– Property, plant and equipment	432	506	–	–	10,592	9,038	4	575	11,028	10,119	–	–		11,028	10,119
Segment assets	23,871	28,294	–	11,622	671,005	628,012	13,655	20,320	708,531	688,248	9,889	19,693	A	718,420	707,941
Segment liabilities	4,560	7,485	–	984	220,564	222,881	10,123	21,768	235,247	253,118	7,344	6,775	B	242,591	259,893

33. 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 2024 $'000	Group 2023 $'000
Income tax recoverable	4,716	14,284
Deferred income tax assets	5,173	5,409
	9,889	19,693

B The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	Group 2024 $'000	Group 2023 $'000
Income tax payables	–	39
Deferred income tax liabilities	7,344	6,736
	7,344	6,775

33. SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue from continuing operations and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Continuing operations Revenue		Non-current assets	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Canada	1,312,536	1,367,187	100,202	113,092
United States	280,325	302,315	59,415	53,161
Malaysia	23,823	19,962	12,099	14,126
Singapore	74	50	527	769
Myanmar	–	–	–	63
Sri Lanka	1,803	1,188	–	–
Australia	–	58	–	–
Others	1,059	866	–	–
	1,619,620	1,691,626	172,243	181,211

Non-current assets information presented above consist of property, plant and equipment and intangible assets presented in the consolidated balance sheet.

34. EVENTS OCCURRING AFTER BALANCE SHEET DATE

On 29 November 2024, the Company announced that the paper manufacturing operations carried by its wholly-owned subsidiary, UPP Pulp & Paper (M) Sdn. Bhd. ("**UPP Malaysia**"), will cease after 31 December 2024, after the gas supply contract for its plant in Ijok, Selangor expires on that date.

On 31 January 2025, the Company also announced that UPP Malaysia has accepted two letters of offer from Ideal Quality Sdn. Bhd. (the "**Purchaser**"), for the purchase by the purchaser of the land and building (the "**Property**") that were used for the paper manufacturing business. The total purchase price of the Property was RM91 million (approximately $27.7 million), and the net book value of the Property as of 31 December 2024 was RM39 million (approximately $11.8 million).

On 17 March 2025, the Company announced that both UPP Malaysia and the Purchaser has mutually agreed to extend the finalisation of the sales and purchase agreements up to 28 March 2025.

35. 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 2025 which the Group has not early adopted.

Effective for annual periods beginning on or after 1 January 2025

Amendments to SFRS(I) 1-21

Lack of Exchangeability

The amendments require entities to assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. When a currency is not exchangeable into another currency, an entity needs to estimate the spot exchange rate at a measurement date. It also added new disclosure requirements for affected entities to enable users of financial statements to understand the impact of a currency not being exchangeable.

The amendments will be effective for annual periods beginning on or after 1 January 2025. Early adoption is permitted.

The Group does not expect any significant impact arising from applying these amendments.

Amendments to SFRS(I) 9 and SFRS(I) 7

Amendments to the Classification and Measurement of Financial Instruments

The amendments clarify the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system. The amendments provide additional clarification and guidance on assessing whether a financial asset meets the solely payments of principal and interest ("**SPPI**") criterion. New disclosures are required for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and government targets) and update the disclosures for equity instruments designated at fair value through other comprehensive income ("**FVOCI**").

The amendments will be effective for annual periods beginning on or after 1 January 2026. Early adoption is permitted.

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 2024

35. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

Effective for annual periods beginning on or after 1 January 2025 (Continued)

SFRS(I) 18

Presentation and Disclosure in Financial Statements

This standard will replace SFRS(I)1-1 Presentation of Financial Statements. Whilst many of the requirements will remain consistent, the new standard will have impacts on the presentation of the Statement of Profit and Loss and consequential impacts on the Statement of Cash Flows. It also requires the disclosure of the non-SFRS(I) management performance measures and may impact the level of aggregation and disaggregation throughout the primary financial statements and the notes.

The amendments will be effective for annual periods beginning on or after 1 January 2027. Early adoption is permitted. SFRS(I) 18 requires retrospective application with specific transition provision.

SFRS(I) 19

Subsidiaries without Public Accountability: Disclosures

The standard allows an eligible subsidiary to apply reduced disclosure requirements when preparing its financial statements under SFRS(I) Accounting Standards. A subsidiary qualified for these reduced disclosures if it does not have public accountability and its ultimate or intermediate parent produces consolidated financial statements compliant with SFRS(I) Accounting Standards and available for public use.

It is optional for eligible subsidiaries and specifies the disclosure requirement for those that choose to adopt it. Eligible entities may apply SFRS(I) 19 in their consolidated, separate, or individual financial statements. An eligible intermediate parent that does not apply SFRS(I) 19 in its consolidated financial statements may choose to apply it in its separate financial statements.

The amendments will be effective for annual periods beginning on or after 1 January 2027. Early adoption is permitted.

The Group does not expect any significant impact arising from applying new standard.

36. 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 21 March 2025.

ADDITIONAL SGX DISCLOSURES IN THE ANNUAL REPORT

MATERIAL CONTRACTS

Since the end of the financial year ended 31 December 2024, 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 47 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. PT48343 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 12 MARCH 2025

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	77	4.44	1,436	0.00
100 – 1,000	229	13.21	207,708	0.02
1,001 – 10,000	722	41.64	4,019,815	0.44
10,001 – 1,000,000	691	39.85	46,832,787	5.16
1,000,001 and above	15	0.86	857,251,896	94.38
Total	**1,734**	**100.00**	**908,313,642**	**100.00**

TOP 20 SHAREHOLDERS

S/No.	Name	Number of Shares Held	%
1	MAYBANK NOMINEES (SINGAPORE) PTE LTD	786,618,653	86.60
2	DBS NOMINEES PTE LTD	14,665,820	1.61
3	PHILLIP SECURITIES PTE LTD	10,273,500	1.13
4	OCBC SECURITIES PRIVATE LTD	9,074,290	1.00
5	CITIBANK NOMINEES SINGAPORE PTE LTD	6,854,352	0.75
6	KHOO POH KOON	5,748,001	0.63
7	ABN AMRO CLEARING BANK N.V.	5,325,100	0.59
8	UOB KAY HIAN PTE LTD	4,805,000	0.53
9	UNITED OVERSEAS BANK NOMINEES PTE LTD	4,431,430	0.49
10	MOOMOO FINANCIAL SINGAPORE PTE. LTD.	2,493,000	0.27
11	CHIA ENG KOON	1,723,400	0.19
12	OCBC NOMINEES SINGAPORE PTE LTD	1,680,550	0.19
13	EE YONG EN JOEL	1,430,000	0.16
14	GOH SU PING	1,100,000	0.12
15	LIM GEOK HENG	1,028,800	0.11
16	HO WAI HOE THOMAS (HE WEIHAO)	1,000,000	0.11
17	RAFFLES NOMINEES (PTE) LIMITED	987,000	0.11
18	TIGER BROKERS (SINGAPORE) PTE. LTD.	899,300	0.10
19	IFAST FINANCIAL PTE LTD	895,200	0.10
20	CHIN SIEW ONN	894,000	0.10
		861,927,396	**94.89**

Source: The Central Depository (Pte) Limited

SHAREHOLDING STATISTICS

AS AT 12 MARCH 2025

Substantial Shareholders	**Number of Shares (Direct Interest)**	**Number of Shares (Deemed Interest)**
TKO Pte. Ltd.[1]	488,371,653	–
Tong Kooi Ong	–	786,618,653[2]
ZICO Trust (S) Ltd.[3]	–	786,618,653[2]
3Cs Investments Limited[4]	–	73,439,000[5]
Phileo Capital Limited	224,808,000	–
Genghis S.á.r.l.	73,439,000	–

Notes:

(1) By virtue of Phileo Trust, a family trust constituted under a trust deed where Mr. Tong Kooi Ong is the sole beneficiary, and with ZICO Trust (S) Ltd. as its appointed trustee, Mr. Tong Kooi Ong has a deemed interest in the following Shares pursuant to Section 4 of the SFA: (a) the 488,371,653 Shares held by TKO Pte. Ltd., which is wholly-owned by ZICO Trust (S) Ltd.; (b) the 224,808,000 Shares held by Phileo Capital Limited, which is wholly-owned by ZICO Trust (S) Ltd.; and (c) the 73,439,000 Shares held by Genghis S.á.r.l., which is wholly-owned by 3Cs Investments Limited, which is in turn wholly-owned by ZICO Trust (S) Ltd..

(2) The Shares are beneficially owned by TKO Pte. Ltd., Phileo Capital Limited and Genghis S.á.r.l..

(3) Pursuant to Section 4 of the SFA, ZICO Trust (S) Ltd. is deemed interested in the following Shares: (a) the 488,371,653 Shares held by TKO Pte. Ltd., which is wholly-owned by ZICO Trust (S) Ltd.; (b) the 224,808,000 Shares held by Phileo Capital Limited, which is wholly-owned by ZICO Trust (S) Ltd.; and (c) the 73,439,000 Shares held by Genghis S.á.r.l., which is wholly-owned by 3Cs Investments Limited, which is in turn wholly-owned by ZICO Trust (S) Ltd..

(4) As Genghis S.á.r.l. is wholly-owned by 3Cs Investments Limited, pursuant to Section 4 of the SFA, 3Cs Investments Limited is deemed interested in the 73,439,000 Shares held by Genghis S.á.r.l..

(5) The Shares are beneficially owned by Genghis S.á.r.l..

Approximately 13.32% 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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