Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Avarga Limited

Stock code: U09

Meeting details:
Date: 23 April 2021
Time: 2.30 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. With the outsized growth of Taiga in 2020, the building materials business based in Canada and USA has become, by far, the most significant operations in the group. Pre-tax profit grew to C$96.2 million from C$35.9 million in 2019. EBITDA was C$116.9 million compared to C$57.7 million in the prior year (page 2).

Management has also cautioned that Taiga's performance in 2020 was a one-time event. Taiga paid out a special dividend of C$30 million to its shareholders.

The group owns approximately 72% of Taiga.

(i) **After the pay-out of the special dividend, what is the level of gearing at Taiga?**

(ii) Management has guided that Taiga will need to retain its capital to take advantage of market opportunities. **Can management clarify if the special dividend has been sized appropriately so that Taiga still has the financial resources internally to pursue any market opportunity that may present itself?**

(iii) **What is the available debt headroom to support Taiga's growth objectives?**

(iv) **With national borders still closed to stop the spread of COVID-19, how does management provide effective leadership and guidance to Taiga?**

(v) **In addition, for the Paper Manufacturing business in Malaysia, can management elaborate further on the opportunities/threats as a result of China's import ban of solid waste material? For instance, are there opportunities to set up joint ventures with Chinese paper companies in Malaysia or to export recycled pulp and paper to China? Separately, when does the board expect the pre-IPO work to be concluded and for the board to make the decision on the IPO of the paper manufacturing business?**

Q2. In the statement to shareholders, the CEO and executive director reported that the group successfully completed its scheduled major overhaul for its 50MW power plant in Myanmar in July 2020.

The power plant had just commemorated its seventh year of operations in February 2021. In each year, the group exceeded the annual production commitment of 350 million kWh under the power purchase agreement since inception.

The company further noted that the Tatmadaw assumed control of the government in Myanmar and announced a one-year state of emergency on 1 February 2021. The group is closely monitoring the evolving political developments in Myanmar. The power plant continues with its usual operations although the situation remains uncertain.

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(i) **What are the additional measures implemented or guidance issued to its ground staff to better ensure their safety?**

(ii) **Can management help shareholders understand the level of communication it maintains with the operating subsidiary?**

(iii) **Has management been informed of any changes at the Ywama (Yangon) power plant?**

In Note 6 (page 103 – Service concession receivables), the group recognised $39.49 million in service concession receivables as at 31 December 2020. The concession period for the plant is 30 years. The counterparty of the service concession arrangement is a governmental body in the Republic of the Union of Myanmar with good payment records and no history of default. Accordingly, management is of the view that the associated credit risk is not significant (pages 103 & 104).

(iv) **Has management been in touch with the counterparty? Are the payments still prompt and on schedule?**

Q3. In the corporate governance report, the board states that it recognises the importance of the internal audit function as an integral part of an effective system of good corporate governance (page 37). The audit risk and management committee (ARMC) approves the internal audit schedules and scope of internal audit work each year, after consultation with but independent of management.

For FY2020, the group has stated that no internal audit firm was appointed to perform internal audit services. Taiga, the company's significant subsidiary corporation, had carried out an in-house internal audit by the manager of Internal Audit & Process Control of Taiga for its operations.

Details of the internal audit function can be found on page 37 of the annual report.

(i) **Can the ARMC help shareholders understand the scope of the internal audit carried out by Taiga? Did the internal audit also cover the key operations of Exterior Wood which was acquired in 2018?**

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 FY2020, the ARMC is of the view that the internal audit function is independent, effective and adequately resourced.

(ii) **Can the ARMC help shareholders understand if the group's internal audit plans include the group's Paper Manufacturing operations in Malaysia and the Power Generation business in Myanmar?**

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^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)