Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Avarga Limited

Stock code: U09

Meeting details:
Date: 18 Apr 2024
Time: 2.30 p.m.
Venue: Drama Centre Function Room 2, 100 Victoria Street, National Library Level 3, Singapore 188061

Q1. For the financial year ended 31 December 2023, the consolidated revenue was S$1.70 billion compared to S$2.37 billion in 2022. Net profit after non-controlling interests decreased to S$10.9 million from S$50.9 million, or 1.20 cent per share from 5.60 cents per share.

As noted in the CEO's statement, the company has provided shareholders with an easy-to-understand view of the group's 2012 - 2023 financial performance, as it has done so in the past 4 years.

The group's relatively weaker FY2023 performance could be attributed to lower profit contribution from Taiga, an impairment loss of S$14.5 million for UPP Pulp & Paper and write down of the power plant receivables of S$13.7 million.

(i) **Paper Manufacturing (Malaysia): Can the CEO elaborate further on what he means by "*activat[ing] a major long-term strategic plan*" in the face of intense competition from the gigantic Chinese players? Is the group considering selling the paper unit to one of the Chinese players in Malaysia?**

(ii) **Power Generation (Myanmar): Given that the sale of electric power fell short of the volume agreed in the Power Purchase Agreement (PPA) due to shortage of gas, is the group liable for the 26% shortfall and are there any penalties?**

(iii) **Service Concession Receivables (Myanmar):** As at 31 December 2023, a loss allowance of S$13.7 million was recorded following management's assessment of credit risk under SFRS(I) 9. In particular, the entire non-current amount of $9.4 million of service concession receivables has been written off. **Considering management's disclosure of no default by Electric Power Generation Enterprise (EPGE), can the audit committee provide clarity on the reasons for recognising the loss allowance? Has management been informed by EPGE or are there indications that EPGE would not be making payments in 2024?**

(iv) **Strategic review (Myanmar): How is the group currently assessing its options regarding UPP Power (Myanmar)? Would Myan Shwe Pyi Tractors Limited, the group's key partner, be the ideal candidate to acquire UPP Power from the group?**

(v) **Growth strategy: Can the board confirm whether it is actively seeking out new business opportunities and acquisitions? If so, what are the criteria used by the board in its search and how is it conducting the search?**

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Q2. Thanks to the effective leadership of the board and management, the group achieved net cash inflows of $76.7 million in 2021, $30.3 million in 2022 and $76.6 million 2023 (as stated on page 7). In the annual report, management has clarified its decision not to declare dividends for 2022 and 2023, as it prioritises the need to build a sustainable, healthy, and resilient company with good prospects.

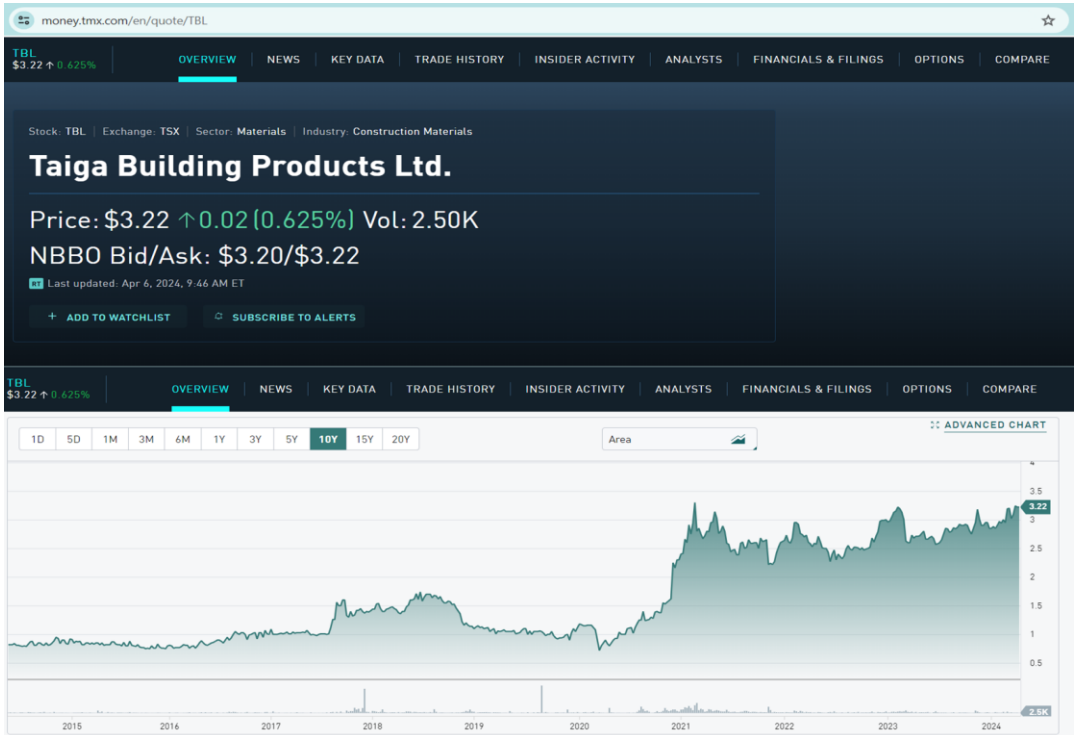
As at 31 December 2023, the group is in an enviable position with $172 million in cash and cash equivalents (Note 4 Cash and cash equivalents; page 138).

(i) **Can management clarify if the paper business and the power generation business were self-sustaining in terms of cash flow in FY2022?**

(ii) **Does the board deem the current cash buffer adequate to see out uncertainties in the market? Is the company currently, or foreseeably in the near future, in a position to reassess its decision to suspend dividends and contemplate reinstating its dividend policy??**

(iii) The company repurchased 32.45 million shares for a total of S$9.913 million, averaging S$0.305 per share in FY2021. **Has the board assessed the effectiveness of its share buyback program in creating long-term value for shareholders?**

In fact, Taiga Building Products Ltd. paid out a special dividend of 23.16 Canadian cents per share on 8 December 2023.



(Source: https://money.tmx.com/en/quote/TBL)

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Taiga had also paid out 27.64 Canadian cents per share on 19 March 2021. Taiga is currently trading at prices above C$3 per share, at/near its peak since the pandemic started.

Taiga has a C$350 million market capitalisation while the company, which owns 72% of Taiga, has a market capitalisation of S$169 million. Taiga trades at approximately 0.9 times price-to-book[1] while the company trades below 0.5 times[2].

(iv) **Beyond just acknowledging that there are many external factors influencing the share price, has the board reviewed the disparities in the two valuations and what are the strategies that could be employed to narrow or close the gap so as to create value for shareholders?**

[1] https://money.tmx.com/en/quote/TBL/key-data

[2] https://investors.sgx.com/securities/stocks?security=U09

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Q3. The attendance of directors at board and board committee meetings is shown on page 50 of the annual report and reproduced below.

REPORT ON CORPORATE GOVERNANCE

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

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

(Source: company annual report)

(i) **What were the extenuating circumstances that resulted in the two directors being absent from the board and board committee meetings on several occasions?**

(ii) **Can the company confirm that the directors did not participate remotely through voice calls or video conferencing which is provided for by the company's constitution?**

(iii) **How effective are the directors and the board, if the directors do not attend the board meetings that were scheduled in advance? It is noted that there were only two board meetings for the year and two directors had 50% attendance rate.**

(iv) **How can the company secretary and the company work together with the board to improve the attendance of directors at board meetings?**

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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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