

CIRCULAR DATED 15 SEPTEMBER 2022

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN DOUBT ABOUT ITS CONTENTS OR THE ACTION THAT YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, TAX ADVISER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all your ordinary shares in the capital of Avarga Limited (the “**Company**”), you should immediately forward this Circular, the Notice of Extraordinary General Meeting and the Proxy Form enclosed with this Circular to the purchaser or the transferee or to the stockbroker, bank or agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness or accuracy of any of the information, statements or opinions made or reports contained in this Circular.

Terms appearing on the cover of this Circular bear the same meanings as defined in this Circular.



AVARGA LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 196700346M)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

**THE PROPOSED CHANGE OF AUDITOR FROM
NEXIA TS PUBLIC ACCOUNTING CORPORATION TO MOORE STEPHENS LLP**

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	27 September 2022 at 10.00 a.m.
Date and time of Extraordinary General Meeting	:	30 September 2022 at 10.00 a.m.
Place of Extraordinary General Meeting	:	Drama Centre Function Room 2 100 Victoria Street National Library Level 3 Singapore 188061

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DEFINITIONS

For the purpose of this Circular, the following definitions apply throughout unless the context otherwise requires or is otherwise stated:

“Accountants Act”	:	The Accountants Act 2004
“ACRA”	:	The Accounting and Corporate Regulatory Authority of Singapore
“AGM”	:	Annual general meeting of the Company
“Audit Committee”	:	The Audit Committee of the Company as at the Latest Practicable Date
“Board”	:	The board of directors of the Company as at the Latest Practicable Date
“CDP”	:	The Central Depository (Pte) Limited
“CPF”	:	The Central Provident Fund
“Circular”	:	This circular to Shareholders dated 15 September 2022 in relation to the Proposed Change of Auditor
“Companies Act”	:	The Companies Act 1967, as may be amended or modified from time to time
“Company”	:	Avarga Limited
“Constitution”	:	The constitution of the Company, as may be amended, supplemented or modified from time to time
“Directors”	:	The directors of the Company as at the Latest Practicable Date
“EGM”	:	The extraordinary general meeting of the Company to be held on 30 September 2022 at 10.00 a.m.
“Group”	:	The Company and its subsidiaries
“Latest Practicable Date”	:	9 September 2022, being the latest practicable date prior to the issue of this Circular
“Listing Manual”	:	The SGX-ST Listing Manual, as amended, modified or supplemented from time to time
“Moore Stephens”	:	Moore Stephens LLP
“Nexia TS”	:	Nexia TS Public Accounting Corporation
“Notice of EGM”	:	The notice of EGM in respect of the Proposed Change of Auditor as set out on pages 11 to 13 of this Circular

DEFINITIONS

“Proposed Change of Auditor”	:	The proposed change of the Company’s auditor from Nexia TS to Moore Stephens LLP
“Register of Members”	:	The register of members of the Company
“Securities Account”	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	Registered holders of Shares in the Register of Members of the Company, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context admits, mean the persons named as Depositors in the Depository Register and whose Securities Accounts are credited with such Shares
“Shares”	:	Ordinary shares in the capital of the Company
“SRS”	:	Supplementary Retirement Scheme
“Substantial Shareholder”	:	A person who holds directly or indirectly 5% or more of the voting shares in the Company
“S\$” and “cents”	:	Singapore dollars and cents respectively
“%”	:	Per centum or percentage

The terms “**Depositor**”, “**Depository Register**” and “**Depository Agent**” shall have the meanings ascribed to them respectively by Section 81SF of the Securities and Futures Act 2001.

The term “**treasury shares**” shall have the meaning ascribed to it in Section 4 of the Companies Act.

The term “**subsidiary**” shall have the meaning ascribed to it in Section 5 of the Companies Act.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any term defined under the Companies Act or the Listing Manual or any modification thereof and used in this Circular shall, where applicable, have the same meaning assigned to it under the Companies Act or the Listing Manual or any modification thereof, unless otherwise provided.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons, where applicable, shall include corporations.

Any reference to a time of a day and date in this Circular is a reference to Singapore time and date, unless otherwise stated.

Any discrepancies in figures included in this Circular between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

The Company has engaged Messrs Chang See Hiang & Partners as its legal adviser for the corporate action set out in this Circular.

LETTER TO SHAREHOLDERS

AVARGA LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 196700346M)

Board of Directors:

Tong Kooi Ong (Executive Chairman)
Tong Ian (Chief Executive Officer and Executive Director)
Gary Ho Kwat Foong (Lead Independent Director)
Ng Shin Ein (Independent Director)
Chan Lay Hoon (Non-Independent Non-Executive Director)
Loh Chen Peng (Independent Director)
Moey Weng Foong (Independent Director)

Registered Office:

1 Kim Seng Promenade
#13-10 Great World City
Singapore 237994

15 September 2022

To : The shareholders of Avarga Limited

Dear Sir/Madam

THE PROPOSED CHANGE OF AUDITOR FROM NEXIA TS PUBLIC ACCOUNTING CORPORATION TO MOORE STEPHENS LLP

1. INTRODUCTION

- 1.1 The Directors are convening an EGM to be held at Drama Centre Function Room 2, 100 Victoria Street, National Library Level 3, Singapore 188061 on 30 September 2022 at 10.00 a.m. to seek the approval of Shareholders for the Proposed Change of Auditor (the “**Ordinary Resolution**”).
- 1.2 The purpose of this Circular is to provide Shareholders with information relating to the Proposed Change of Auditor, and to seek the approval of the Shareholders for the Ordinary Resolution. The Notice of EGM is set out on pages 11 to 13 of this Circular.
- 1.3 SGX-ST assumes no responsibility for the correctness of any statements made, reports contained or opinions expressed in this Circular.

2. THE PROPOSED CHANGE OF AUDITOR

2.1 Background and rationale

Nexia TS Public Accounting Corporation (“**Nexia TS**”) has served as external auditor of the Company since 2011 and was re-appointed as auditor of the Company at the last AGM held on 29 April 2022, to hold office until the conclusion of the next AGM of the Company.

As part of good corporate governance initiatives, the Board is of the view that it would be appropriate to periodically rotate the auditor of the Company. The Board believes that a change of auditor may enable the Company to benefit from fresh perspectives and views of another professional audit firm, thus enhancing the value of the audit of the Company.

LETTER TO SHAREHOLDERS

In light of the foregoing reasons, the Company's management had sought proposals from several reputable audit firms in Singapore. Following deliberations and evaluations of the various proposals received, the Board, in consultation with the Audit Committee, had selected Moore Stephens LLP, Singapore ("**Moore Stephens**") for the proposed appointment.

The Audit Committee, in its evaluation process, had reviewed and deliberated on the various proposals received from each of the audit firms and had taken into consideration the requirements set out under Rule 712 and Rule 715 of the Listing Manual, the Audit Quality Indicators Disclosure Framework issued by ACRA, and various factors such as the adequacy of resources and experience of the audit firms and the audit engagement partner to be assigned to the audit, other audit engagements of the audit firms, the Group's audit requirements (taking into consideration the size and complexity of the Group's business and operations), and the number and experience of supervisory and professional staff to be assigned to the audit. After evaluation, the Audit Committee recommended the appointment of Moore Stephens as auditor of the Company in place of Nexia TS on the basis that it best suits the current business and operational needs of the Group.

The Board has taken into account the Audit Committee's recommendation, including the factors considered in their evaluation, and is satisfied that Moore Stephens, approved under the Accountants Act, and Ms. Chan Rouh Ting, the audit engagement partner and a public accountant under the Accountants Act, are well suited to meet the existing needs and audit requirements of the Group, and that the quality and scope of the audit is expected to be maintained. In addition, the Board, in consultation with the Audit Committee, has determined that the proposed audit fee of S\$95,000 for the financial year ending 31 December 2022 is reasonable and competitive. The Board has therefore accepted the Audit Committee's recommendation to appoint Moore Stephens as auditor in place of Nexia TS, subject to the approval of the Shareholders at the EGM. The Audit Committee and the Board had also taken into consideration that the auditor of the Company's significant foreign-incorporated subsidiary, Taiga Building Products Ltd, is Dale Matheson Carr-Hilton LaBonte LLP which is an independent member firm associated with Moore Global Network Limited.

In connection with the above:

- 2.1.1 Nexia TS had, on 27 July 2022, applied to ACRA to seek its consent to resign as auditor of the Company and its Singapore-incorporated subsidiaries, namely, Avarga Investment Pte. Ltd., UPP Greentech Pte. Ltd., UPP Industries Pte. Ltd. and Taiga Building Products (Singapore) Private Limited;
- 2.1.2 Moore Stephens had, on 3 August 2022 and 12 August 2022, given their written consent to act as auditor of the Company and its Singapore-incorporated subsidiaries, subject to the approval of Shareholders at the EGM;
- 2.1.3 ACRA had, on 22 August 2022, consented to the resignation of Nexia TS and fixed Nexia TS' resignation date on 22 August 2022; and
- 2.1.4 Nexia TS had, on 24 August 2022, provided its notice of resignation as auditor of the Company stating their reasons for its resignation as auditor of the Company.

Pursuant to Section 205AB(5) of the Companies Act, the resignation of Nexia TS took effect on 24 August 2022.

LETTER TO SHAREHOLDERS

The Board would like to take this opportunity to express their appreciation for the past services rendered by Nexia TS.

2.2 Information on Moore Stephens and the Audit Engagement Partner

2.2.1 Information on Moore Stephens

Moore Stephens has been established in Singapore for more than 30 years. Since then, they have grown, together with its associate firms, to a leading accountancy and consulting association with approximately 200 partners and staff.

Moore Stephens is a member of Moore Global Network Limited, which is regarded as one of the world's leading accounting and consulting associations with 600 offices in 110 countries and more than 30,000 partners and professionals.

Moore Stephens provides services to a diverse range of clients, from large corporations and listed companies to private businesses, entrepreneurs and individuals across a broad array of industry sectors. They are a firm of Chartered Accountants in Singapore registered with ACRA and have significant experience acting as independent auditors for over 30 companies listed on the SGX-ST.

For more information about Moore Stephens, please visit its website at <https://www.mooresingapore.com>.

2.2.2 Information on the Audit Engagement Partner

Ms. Chan Rouh Ting ("**Ms. Chan**") is the designated audit engagement partner who will be responsible for the audit of the Company and its Singapore-incorporated subsidiaries and the overall coordination of all audits of the Group's foreign incorporated subsidiaries. Ms. Chan is a partner with the Audit and Assurance Division of Moore Stephens and has over 18 years of experience in the auditing professional and commercial sector. She has been involved in audit engagements in a diverse range of clients, from large corporations and companies listed on the SGX-ST and small to medium privately owned companies, covering a wide range of industries, including shipping, trading, manufacturing, construction, agriculture, energy and charity companies. Ms. Chan is currently the audit engagement partner of several companies listed on the SGX-ST and has experience in auditing companies with similar business sector/activities in the Company.

2.3 Requirements under Rule 712 of the Listing Manual

Moore Stephens is an audit firm registered with ACRA and approved under the Accountants Act. The Board, having taken into account various factors, including the following:

- 2.3.1 the adequacy of resources and experience of Moore Stephens and the audit partner-in-charge assigned to the audit;
- 2.3.2 the other audit engagements of Moore Stephens;
- 2.3.3 the size and complexity of the Group; and

LETTER TO SHAREHOLDERS

2.3.4 the number and experience of supervisory and professional staff assigned to the Group's audit,

is of the opinion that Moore Stephens will be able to meet the audit requirements of the Group and Rule 712 of the Listing Manual has been complied with.

Pursuant to Rule 712(3) of the Listing Manual and Section 205AF of the Companies Act, the appointment of Moore Stephens as the Company's new auditor must be specifically approved by Shareholders at a general meeting. The appointment of Moore Stephens would therefore take effect upon the approval of the Shareholders at the EGM and, if appointed, Moore Stephens will hold office until the conclusion of the next AGM.

2.4 Requirements under Rule 715 of the Listing Manual

The Board confirms that upon Shareholders' approval of the Proposed Change of Auditor being obtained, Moore Stephens shall be appointed to audit the accounts of the Company and its Singapore-incorporated subsidiaries. The Company does not have any Singapore-incorporated associated companies. Accordingly, the requirements under Rule 715(1) of the Listing Manual have been complied with.

The Board also confirms that Rule 715(2) of the Listing Manual requiring the Company to engage a suitable auditing firm for its significant foreign-incorporated subsidiaries will be complied with, as (a) Dale Matheson Carr-Hilton LaBonte LLP will continue to be the auditor of Taiga Building Products Ltd; and (b) Deloitte PLT, Malaysia will continue to be the auditor of UPP Pulp & Paper (M) Sdn Bhd. The Company does not have any foreign-incorporated associated companies. Accordingly, the requirements under Rule 715(2) of the Listing Manual have been complied with.

2.5 Confirmations pursuant to Rule 1203(5) of the Listing Manual

In accordance with the requirements of Rule 1203(5) of the Listing Manual:

- 2.5.1 Nexia TS has confirmed by way of a letter dated 27 July 2022 that they are not aware of any professional reasons why Moore Stephens should not accept appointment as the Company's auditor;
- 2.5.2 the Company confirms that there were no disagreements with Nexia TS on accounting treatments within the last twelve (12) months up to the date of this Circular;
- 2.5.3 the Company confirms that it is not aware of any circumstances connected with the Proposed Change of Auditor that should be brought to the attention of the Shareholders which has not been disclosed in this Circular;
- 2.5.4 the Company confirms that the specific reasons for the Proposed Change of Auditor are as disclosed in Section 2.1 of this Circular; and
- 2.5.5 the Company confirms that it is or will be in compliance with Rule 712 and Rule 715 of the Listing Manual in relation to the proposed appointment of Moore Stephens as the Company's new auditor.

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3. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

3.1 The interests of the Directors and Substantial Shareholders in the Shares, as extracted from the Register of Directors' Shareholdings and the Register of Substantial Shareholders, as at the Latest Practicable Date, are set out below:

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
<u>Directors</u>						
Tong Kooi Ong	-	-	295,364,000 ⁽²⁾	32.52	295,364,000	32.52
Tong Ian	2,800,000	0.31	-	-	2,800,000	0.31
Gary Ho Kuat Foong	-	-	-	-	-	-
Ng Shin Ein	-	-	-	-	-	-
Chan Lay Hoon	-	-	-	-	-	-
Loh Chen Peng	-	-	-	-	-	-
Moey Weng Foong	625,000	0.07	-	-	625,000	0.07
<u>Substantial Shareholders</u>						
Lim Eng Hock	183,246,925	20.17	-	-	183,246,925	20.17
Tong Kooi Ong	-	-	295,364,000 ⁽²⁾	32.52	295,364,000	32.52
Phileo Capital Limited	221,925,000	24.43	-	-	221,925,000	24.43
Genghis S.á.r.l	73,439,000	8.09	-	-	73,439,000	8.09
3Cs Investments Ltd	-	-	73,439,000 ⁽³⁾	8.09	73,439,000	8.09
TMF Trustees Singapore Limited	-	-	295,364,000 ⁽²⁾	32.52	295,364,000	32.52

Notes:

- (1) As a percentage of the total number of issued Shares as at the Latest Practicable Date, comprising 908,313,642 Shares (excluding treasury shares and subsidiary holdings).
- (2) The Shares are held in the name of the registered holders, Phileo Capital Limited and Genghis S.á.r.l..
- (3) The Shares are held in the name of the registered holder, Genghis S.á.r.l..

4. AUDIT COMMITTEE'S RECOMMENDATIONS

The Audit Committee has reviewed and deliberated on the Proposed Change of Auditor and recommended the appointment of Moore Stephens as external auditor of the Company and its Singapore-incorporated subsidiaries in place of Nexia TS, after taking into account the suitability of Moore Stephens, the factors set out in Section 2.1 of this Circular, and compliance with the requirements of the Listing Manual.

5. DIRECTORS' RECOMMENDATIONS

The Directors, having considered and reviewed the rationale for and benefits of the Proposed Change of Auditor are of the opinion that the Proposed Change of Auditor is in the interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the Ordinary Resolution.

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6. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 11 to 13 of this Circular, will be held at Drama Centre Function Room 2, 100 Victoria Street, National Library Level 3, Singapore 188061 on 30 September 2022 at 10.00 a.m. for the purpose of considering and, if thought fit, passing, with or without any modifications, the Ordinary Resolution set out in the Notice of EGM.

7. ACTION TO BE TAKEN BY SHAREHOLDERS

7.1 Appointment of Proxies

Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend and vote at the EGM on their behalf should complete, sign and return the proxy form attached to the Notice of EGM in accordance with the instructions printed thereon as soon as possible at the office of the Company's Share Registrar, M & C Services Private Limited at 112 Robinson Road #05-01 Singapore 068902 not less than 72 hours before the time appointed for holding the meeting. The completion and return of the proxy form by such Shareholder will not prevent him from attending and voting in person at the EGM in place of his proxy should he subsequently wishes to do so.

7.2 When Depositor regarded as Shareholder

A Depositor is not regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register as certified by CDP not less than 72 hours before the time fixed for the EGM.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular, and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Change of Auditor, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 1 Kim Seng Promenade #13-10 Great World City Singapore 237994, during normal business hours from the date of this Circular up to the date of the EGM:

- (a) Nexia TS' letter of professional clearance to Moore Stephens dated 27 July 2022;
- (b) Moore Stephens' letters in respect of their consent to act as auditor of the Company and its Singapore-incorporated subsidiaries dated 3 August 2022 and 12 August 2022;

LETTER TO SHAREHOLDERS

- (c) Nexia TS' notice of resignation to the Company dated 24 August 2022; and
- (d) the Constitution.

Yours faithfully
For and on behalf of the Board of Directors of
AVARGA LIMITED

Tong Ian
Chief Executive Officer and Executive Director
15 September 2022