



AVARGA LIMITED

(Formerly known as UPP Holdings Limited)
(Incorporated in the Republic of Singapore)
(Company Registration Number: 196700346M)
(the “**Company**”)

PROPOSED DISPOSAL OF PROPERTY OWNED BY SUBSIDIARY

1. INTRODUCTION

The board of directors (the “**Board**” or “**Directors**”) of Avarga Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that UPP Industries Pte. Ltd. (“**Vendor**”), the Company’s wholly-owned subsidiary, has on 20 July 2018 granted an Option to Purchase (the “**Option**”) to Beni Warehousing Pte. Ltd. (the “**Purchaser**”) to purchase the property at 35 Tuas View Crescent Singapore 637608 (the “**Property**”) at the price of S\$18,600,000 (the “**Proposed Disposal**”).

The Option may be exercised at any time on or before 4.00 p.m. on the date falling two (2) weeks from the date of the Option.

The Purchaser is an independent third party who is not related to the Company, its Directors and substantial shareholders. The Purchaser is a licensed warehouse operator, specialised in the handling and storage of dutiable products like alcohol and tobacco.

2. DESCRIPTION OF THE PROPERTY

The Property is a leasehold property with a lease of 30 years, expiring 1 December 2029 with an option for a further term of 30 years. The land area of the Property is approximately 15,998.8 square meters.

The Property was leased to a non-related party under operating leases up to July 2014 and become vacant and treated as assets held-for-sale by the Group since then.

3. VALUE OF THE CONSIDERATION AND FACTORS TAKEN INTO ACCOUNT

3.1 The sale price of the Property is S\$18,600,000 excluding goods and services tax (the “**Sale Price**”). The Sale Price was arrived at on a “willing buyer-willing seller” basis and taking into account the following factors:

- (a) the valuation of the Property from Colliers International Consultancy & Valuation (Singapore) Pte Ltd (the “**Valuer**”) as at 21 August 2017 commissioned by the Company. The Sale Price was approximately 31% less than the market valuation by the Valuer of S\$27,000,000. The Comparison Method and Income Capitalisation Approach were adopted in formulating the opinion on the market value of the Property;
- (b) the book value of the Property. In this regard, the Sale Price was at a 140% premium to its book value of approximately S\$7,742,000 as at 31 March 2018 (being the date of the Company’s latest announced unaudited consolidated financial statements);
- (c) the property market conditions prevailing at the time of grant of the Option. In this regard, the Sale Price was based on the property market conditions prevailing at the time of grant of the Option; and

- (d) the potential cost savings to the Group from the sale of the Property, taking into account the holding costs of delaying the sale of the Property and other property related costs against any potential gains from being able to secure a better Sale Price at a later date.

3.2 The Board is of the view that the Sale Price was the most favourable Sale Price and was the highest value available to the Group after taking into account all relevant considerations, in the best interest of the Group.

4. SALIENT TERMS OF THE DISPOSAL

4.1 Sale Price

The Sale Price shall be payable by the Purchaser to the Vendor as follows:

- (a) 1% of the Sale Price (the “**Option Fee**”) has been paid when the Vendor granted the Option to the Purchaser;
- (b) 4% of the Sale Price (the “**Deposit**”) to be paid upon exercise of the Option; and
- (c) The balance 95% of the Sale Price to be paid on Completion.

4.2 Conditions

4.2.1 Approvals

The Proposed Disposal is subject to:-

- (a) The Vendor obtaining all necessary shareholder and regulatory approvals (including SGX approval in relation to the Vendor’s holding company if required) for the Proposed Disposal;
- (b) The written approval of Jurong Town Corporation (“**JTC**”) being obtained by the Vendor for the sale; and
- (c) The written approvals of JTC and other relevant government authorities being obtained by the Purchaser for their purchase and for the use of the Property for Bonded and General Warehousing/Storage and Logistics Services, including Pick-Packing, Sorting and Labeling.

The approval referred to in 4.2.1(a) above is hereinafter referred to as the “**Corporate Approval**”. The approval referred to in 4.2.1(b) is hereinafter referred to as the “**JTC Approval**” and the approval referred to in 4.2.1(c) is hereinafter referred to as the “**Change of Use Approval**”. The JTC Approval and the Change of Use Approval shall hereinafter jointly be referred to as the “**Requisite Approvals**”.

In the event that:

- (a) the Corporate Approval is not obtained within sixteen (16) weeks from the date of this Option; or
- (b) the Requisite Approvals are not obtained within sixteen (16) weeks from the date of the Option (or such longer period as the parties may mutually agree) for any reason;

then either party shall be at liberty to rescind the Option by giving the other party written notice of not less than fourteen (14) working days and upon the expiry of such notice, the Option shall be declared null and void, in which event the Deposit shall be refunded to the Purchaser without interest and thereafter neither party shall have any claim against the other. In such event the Purchaser shall forthwith return all title deeds and documents in possession (or deemed to be in its possession) relating to the Property and/or belonging to the Vendor and at its own expense procure the cancellation or withdrawal of any entry or caveat relating to this Agreement in any register and without prejudice to any other rights or remedies available in law or equity, the Vendor may resell the Property whether by auction, tender or by private treaty without previously tendering an assurance to the Purchaser. Each party shall bear their own solicitors’ costs in the

matter and neither party shall have any claims or demand against the other for costs damages compensation or otherwise whatsoever.

4.2.2 Legal Requisitions

The Option is conditional upon the Purchaser's solicitors receiving satisfactory replies from governmental and local authorities and the Land Transport Authority (Rapid Transit Systems) relating to the Property.

4.2.3 Completion

Subject to the terms and conditions set out in the Option, the Proposed Disposal shall be completed ("**Completion**") at the office of the Vendor's solicitors or such other place as the Vendor's solicitors shall direct on the latest of the following dates (hereinafter called the "**Completion Date**"):-

(a) The later of:

- (i) the date falling sixteen (16) weeks from the date of the Option; or
- (ii) the date falling three (3) weeks after JTC confirms in writing that it has no objection to the execution of the Instrument of Transfer in respect of the Property.

(b) such other date as may be agreed between the parties (subject to the Requisite Approvals being obtained by such other date).

The Sale Price together with the sum equal to the GST payable on the full Sale Price and any other sums hereby agreed to be paid shall be paid to the Vendor and upon receipt thereof, the Vendor shall execute an assurance of the Property in favour of the Purchaser (such assurance to be prepared by and at the expense of the Purchaser and the draft thereof left at the office of the Vendor's solicitors for approval not less than fourteen (14) days before the Completion Date and the engrossment left at the same office for execution by the Vendor not less than seven (7) days before the Completion Date).

5 **RATIONALE FOR THE PROPOSED DISPOSAL AND USE OF PROCEEDS**

The Property is a non-core asset of the Company and its subsidiaries (the "**Group**") and is currently unoccupied. The unused area of the Property could not be rented to third party as sub-letting is subject to certain conditions imposed by JTC. Taking into account the monthly JTC land rent, property tax and other expenses that remain payable when the Property is not put in use, the Directors consider it appropriate to dispose of the Property to unlock the value of the Property, especially when the Sale Price is also favourable.

The Group intends to use the net proceeds to pay a special dividend, repay part of the bank borrowings and/or strengthen the Group's working capital position.

6 **RULE 1006 OF THE SGX-ST LISTING MANUAL**

6.1 **Relative Figures under Rule 1006 of the Listing Manual**

The relative figures computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited in respect of the Proposed Disposal are set out below:

Rule 1006 of the Listing Manual	Bases	Relative Figures
(a)	The aggregate net asset value of the assets to be disposed of, compared with the Group's net asset value.	2.9% ⁽¹⁾
(b)	The aggregate net profits attributable to the assets acquired, compared with the Group's net profits.	Not meaningful ⁽²⁾
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	9.8% ⁽³⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves.	Not applicable

Notes:-

- (1) The net asset value of the Property and the net asset value of the Group as at 31 March 2018 were S\$7,742,000 and S\$267,929,000 respectively.
- (2) Net loss attributable to the property in the disposal comprise JTC land rent, property tax, utilities charges and monthly maintenance fee with total expenses amounted to S\$130,000 for the period from 1 January 2018 to 31 March 2018. The property was vacant.
- (3) The Company's market capitalisation is determined by multiplying the number of Shares in issue excluding Treasury Shares (876,667,121) by the weighted average price of the Shares on 19 July 2018 (being the market day immediately preceding the date of the Option to Purchase).

6.2 Disclosable Transaction

Under Rule 1010 of the Listing Manual, where any of the relative figures computed on the bases set out above exceeds 5% but does not exceed 20%, the Proposed Disposal would be regarded as a disclosable transaction.

As the applicable relative figure computed under Rule 1006(c) of the Listing Manual exceeds 5% but is not greater than 20%, the Proposed Disposal constitutes a "disclosable transaction" as defined in Chapter 10 of the Listing Manual.

7 FINANCIAL EFFECTS OF THE DISPOSAL

7.1 Financial Effects

The financial effects of the Proposed Disposal set out below are for illustrative purposes only and are neither indicative of the actual financial effects of the Proposed Disposal on the earnings per share ("EPS") and net tangible assets ("NTA") per share of the Company, nor do they represent the future financial performance and/or position of the Group and/or the Company following Completion. Based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2017 ("FY2017"), the financial effects of the Proposed Disposal are as follows:

(a) EPS

Assuming that the Proposed Disposal was completed on 1 January 2017, the effect of the Proposed Disposal on the EPS of the Group for FY2017 will be as follows:-

	Before the Proposed Disposal	After the Proposed Disposal
Net profit attributable to the shareholders of the Company (S\$'000)	16,340	27,175
Number of ordinary shares in the capital of the Company ('000)	867,352	867,352
EPS (cents)	1.88	3.13

(b) NTA

Assuming that the Proposed Disposal was completed on 31 December 2017, the effect of the Proposed Disposal on the NTA of the Group for FY2017 will be as follows:-

	Before the Proposed Disposal	After the Proposed Disposal
NTA attributable to the shareholders of the Company (S\$'000)	148,842	159,042
Number of ordinary shares in the capital of the Company ('000)	876,667	876,667
NTA per share (cents)	16.98	18.14

7.2 Excess of Proceeds over book value and gain from the Proposed Disposal

The amount of proceeds over book value and gain from the Proposed Disposal is estimated to be approximately S\$10.6 million, after deducting all estimated expenses relating to the Proposed Disposal.

8 INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors of the Company has any interest, direct or indirect, in the Proposed Disposal, save through his/her shareholding in the Company (if any), and to the best of the knowledge of the directors of the Company, none of the controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal, save through such shareholders' shareholding in the Company.

9 DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the disposal, and no director's service contract is proposed to be entered into by the Company with any person in connection with the Proposed Disposal.

10 DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Option and Valuation shall be available for inspection at the Company's registered office at 1 Kim Seng Promenade #13-10 Great World City West Tower, Singapore 237994 during normal business hours for a period of 3 months from the date of this announcement.

BY ORDER OF THE BOARD

Tong Kooi Ong
Executive Chairman and Chief Executive Officer

20 July 2018