



AVARGA LIMITED

(Formerly known as UPP Holdings Limited)

(Incorporated in the Republic of Singapore)

(Company Registration Number: 196700346M)

(the “**Company**”)

DIVIDEND ANNOUNCEMENT

1. DIVIDEND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (“FY2020”)

The board of directors of the Company (the “**Board**”) refers to the announcement made on 25 June 2020 in connection with the adoption of the Dividend policy. Unless otherwise defined herein, all capitalised terms used in this announcement shall bear the same meaning as defined in the abovementioned announcement.

The Board is pleased to announce a final tax-exempt dividend of S\$0.0078 (0.78 Singapore cent) per share for FY2020, subject to shareholders’ approval at the upcoming Annual General Meeting. The total dividend payment to shareholders will be approximately S\$7.260 million.

With this proposed final dividend, total dividends declared for FY2020 would total S\$0.015 (1.5 Singapore cents) per share, including a first interim dividend of S\$0.0036 and second interim dividend of S\$0.0036, with total dividend payment of S\$14.074 million.

The dividend policy of the Company aims to provide shareholders with a target annual dividend payout, paid quarterly, of not less than 40% of the net profit attributable to shareholders excluding non-controlling interests and non-recurring, one-off and exceptional items, with effect from the financial year ending 31 December 2020.

Such declaration and payment of dividends shall be determined at the sole discretion of the Board of the Company. In proposing any dividend payout, the Board will, subject to section 403 of the Companies Act (Cap 50) and Practice Note 7.7 of SGX-ST Mainboard Rules, also take into account, inter alia:-

- (i) the level of the Company’s cash and retained earnings;
- (ii) the Company’s actual and projected financial performance;
- (iii) the Company’s projected levels of capital expenditure and other investment plans;
- (iv) the Company’s working capital requirements and general financing condition;
- (v) restrictions on payment of dividends imposed on the Company by the Company’s financing arrangements (if any); and
- (vi) any other factors that the Directors deem appropriate.

In arriving at the proposed dividends for FY2020, the Board has also taken into account the following factors:

Share buybacks

The Company views share buybacks as part of the shareholders’ value creation process, through share purchases that are accretive to earnings per share. In FY2020, the Company bought back 6,301,800 shares for S\$1.575 million, or an average of 24.99 cents per share. In January 2021, another 10,000,000 shares were acquired for S\$2.953 million, or an average of 29.53 cents per share.

In May 2020, the Company increased its stake in Taiga Building Products Ltd. (“**Taiga**”) by acquiring 2,000,000 Taiga shares for C\$1.950 million, or C\$0.975 per share. Taiga also undertook a buyback of 2,979,026 shares for C\$3.230 million, or an average of C\$1.084 per share, some 60% below Taiga’s current share price. With these purchases, the Company increased its stake in Taiga from 69.7% to 71.6% as at 31 December 2020.

Myanmar developments

The Company is closely monitoring the developments in Myanmar. While there has been no impact on the operations of its power plant there, the Company would prefer to be cautious.

Potential Paper Manufacturing listing

Evaluation for the listing of the paper manufacturing operations on Bursa Malaysia Securities is ongoing, and there is no guarantee it will be listed. Should it decide to list, the Company is mindful that the listing process is a lengthy one and could affect interim dividends from this division to the holding company, until a potential exercise is completed.

Balancing an exceptional year with sustainability

The Company recognises that FY2020 was an exceptional year in terms of earnings, and quite unlikely to be repeated in year 2021. Hence, it endeavours to maintain a balance between meeting Shareholders’ expectations and prudent capital management with a sustainable dividend policy.

2. REVIEW OF DIVIDEND POLICY

For the current financial year, the Board wishes to review its dividend policy to as follows:

The Board wishes to adopt a dividend policy that aims to provide shareholders with an annual dividend payout that strives to achieve 30% of net profit attributable to shareholders excluding non-controlling interests and non-recurring, one-off and exceptional items, with effect from the financial year ending 31 December 2021. The dividends will continue to be paid on a quarterly basis.

Such declaration and payment of dividends shall be determined at the sole discretion of the Board of the Company. In proposing any dividend payout, the Board will, subject to section 403 of the Companies Act (Cap 50) and Practice Note 7.7 of SGX-ST Mainboard Rules, also take into account, inter alia:-

- (i) the level of the Company’s cash and retained earnings;
- (ii) the Company’s actual and projected financial performance;
- (iii) the Company’s projected levels of capital expenditure and other investment plans;
- (iv) the Company’s working capital requirements and general financing condition;
- (v) restrictions on payment of dividends imposed on the Company by the Company’s financing arrangements (if any); and
- (vi) any other factors that the Directors deem appropriate.

This dividend policy and the declaration and/or payment of future dividends under this policy are subject to the Board’s continuing determination that this dividend policy and the declaration and/or payment of dividends would be in the best interests of the Company and Shareholders, and are in compliance with all applicable laws and regulations.

The Board endeavours to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy. The Board will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time.

Investors should note that the foregoing statement of the Company's dividend policy is a statement of the Board's present intention and does not constitute a legal binding obligation of the Company to declare a dividend at any time or from time to time.

BY ORDER OF THE BOARD

Tong Ian
Executive Director and Chief Executive Officer

27 February 2021