



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

---

## PROPOSED SUBSCRIPTION OF SHARES IN THE CAPITAL OF ARCHISEN PTE. LTD.

---

### 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 the Company has today entered into a subscription agreement with Archisen Pte. Ltd. (“**Archisen**”) (such agreement, the “**Subscription Agreement**”), pursuant to which the Company may *inter alia* subscribe for such number of ordinary shares in the capital of Archisen (the “**Shares**”) representing up to 23.08% of the final resultant enlarged share capital of Archisen (such Shares collectively, the “**Subscription Shares**”) in 3 separate tranches for an aggregate consideration of up to S\$1,500,000 (the “**Subscription**”).

### 2. INFORMATION ON ARCHISEN

Archisen is a startup incorporated in Singapore on 2 December 2015. Immediately prior to Tranche 1 Completion (as defined below), the issued and paid-up share capital of Archisen was S\$300,000 comprising 2,250,000 Shares (the “**Existing Share Capital**”). Archisen designs, develops and operates urban farming systems by employing Internet of Things, automation and data analytics. Archisen’s existing shareholders are Tan Kum Wah Clarence and Wei Yangsheng Vincent (the “**Existing Shareholders**”).

Based on the unaudited management accounts of Archisen drawn up to 31 May 2018, the unaudited consolidated net loss of Archisen since its date of incorporation up to 31 May 2018 is S\$474,771. The loss is due mainly to startup expenses and investment in research and development. The negative net asset value of Archisen as at 31 May 2018 is S\$174,771. No independent valuation was conducted on Archisen.

### 3. MATERIAL TERMS OF THE SUBSCRIPTION AGREEMENT

#### 3.1 Subscription Shares

Pursuant to the terms and subject to the conditions of the Subscription Agreement, the Company will subscribe for, and Archisen will issue and allot to the Company the Subscription Shares in 3 tranches as follows:

- (a) Archisen shall allot and issue to the Company 225,000 Shares (the “**Tranche 1 Shares**”) representing 9.09% of the issued and paid-up share capital of Archisen immediately upon completion of the subscription of the Tranche 1 Shares (the “**Tranche 1 Completion**”) for a subscription consideration of S\$500,000;

- (b) Archisen shall allot and issue to the Company such number of Shares rounded up to the nearest whole number (the “**Tranche 2 Shares**”), which together with the Tranche 1 Shares previously allotted and issued to the Company, would represent 16.67% of the issued and paid-up share capital of Archisen immediately upon completion of the subscription of the Tranche 2 Shares (the “**Tranche 2 Completion**”) for a subscription consideration of S\$500,000. For illustration only, based on the Existing Share Capital and assuming that 225,000 Tranche 1 Shares have been allotted and issued to the Company, the number of Tranche 2 Shares to be issued to the Company, which together with the Tranche 1 Shares would represent 16.67% of the resultant enlarged share capital of Archisen, would be 225,000 Shares; and
- (c) Archisen shall allot and issue to the Company such number of Shares rounded up to the nearest whole number (the “**Tranche 3 Shares**”), which together with the Tranche 1 Shares and Tranche 2 Shares previously allotted and issued to the Company, would represent 23.08% of the issued and paid-up share capital of Archisen immediately upon completion of the subscription of the Tranche 3 Shares (the “**Tranche 3 Completion**”) for a subscription consideration of S\$500,000. For illustration only, based on the Existing Share Capital and assuming that 225,000 Tranche 1 Shares and 225,000 Tranche 2 Shares have been allotted and issued to the Company, the number of Tranche 3 Shares to be issued to the Company, which together with the Tranche 1 Shares and Tranche 2 Shares would represent 23.08% of the resultant enlarged share capital of Archisen, would be 225,000 Shares.

### 3.1.1 Tranche 1 Shares

#### *Conditions Precedent*

Tranche 1 Completion is conditional upon *inter alia* the following conditions having been satisfied:

- (a) the signing and execution of the shareholders’ agreement to be entered into between the Existing Shareholders, the Company and Archisen and any amendments or supplements thereof from time to time;
- (b) the completion of legal, business, financial and accounting due diligence on Archisen, to the satisfaction of the Company;
- (c) all consents or approvals (whether governmental, corporate or otherwise) which are necessary or desirable to be obtained under any existing contractual, financing or security arrangements or such other consents or approvals from any third party, governmental or regulatory body or relevant competent authority as may be necessary or desirable to be obtained in respect of or in connection with the transactions described or contemplated under the Subscription Agreement, being granted or obtained;
- (d) all existing licences obtained by and issued to Archisen being in full force and effect, and there not having been the occurrence of any event nor the discovery of any fact or circumstances which will or may result in the licences being terminated, avoided, modified, suspended, revoked or otherwise adversely affected; and
- (e) there not having been at any time prior to or on the date of completion of the subscription of the Tranche 1 Shares the occurrence of any of the following events (the “**Liquidation Events**”):

- (i) liquidation, bankruptcy or insolvency of Archisen or of Existing Shareholders;
- (ii) termination of substantially all or part of the business of Archisen by the resolution of the general meeting of its shareholders;
- (iii) appointment of any assignee, receiver or liquidator for substantially all or part of the assets of business of Archisen; and/or
- (iv) attachment, execution or seizure of substantially all or part of the assets of Archisen or any of the Existing Shareholders.

#### *Tranche 1 Completion*

Tranche 1 Completion took place today upon signing of the Subscription Agreement. The Company also entered into a shareholders' agreement with the Existing Shareholders in relation to Archisen. Accordingly, the Company has acquired a direct interest in 225,000 Shares representing 9.09% of the issued and paid-up share capital of Archisen. The issued and paid-up share capital of Archisen is now S\$800,000 comprising 2,475,000 Shares,

#### 3.1.2 Tranche 2 Shares

##### *Conditions Precedent*

The Company's obligation to subscribe for the Tranche 2 Shares is conditional upon *inter alia* the following conditions having been fulfilled or waived by the Company in its sole discretion in writing (as the case may be):

- (a) the Tranche 1 Shares having already been issued to the Company;
- (b) Archisen having acquired shares in one or more companies incorporated in Singapore which (i) has obtained a farm licence from the Agri-Food and Veterinary Authority of Singapore (the "**AVA**") for vegetable farming and (ii) is eligible for co-funding or grants (as the case may be) from the AVA under the Agriculture Productivity Fund for an amount of up to S\$700,000 (each a "**Farm Company**" and collectively, the "**Farm Companies**");
- (c) Archisen being deemed to have acquired an aggregate interest in at least 3,000 square feet of property leased or owned by a Farm Company principally for vegetable farming use ("**Vegetable Farming Land**");
- (d) the letters of offer issued by the AVA to the respective Farm Companies for co-funding or grants (as the case may be) under the Agriculture Productivity Fund for an amount of up to S\$700,000 per Farm Company not having been revoked, suspended or cancelled, and otherwise being validly subsisting and to the benefit of the Farm Company;
- (e) all existing licenses obtained by and issued to Archisen being in full force and effect, and there not having been the occurrence of any event nor the discovery of any fact or circumstances which will or may result in the licences being terminated, avoided, modified, suspended, revoked or otherwise adversely affected; and
- (f) there not having been the occurrence of any Liquidation Event.

### *Completion*

Tranche 2 Completion shall take place no later than 30 September 2018 or such later date as may be agreed between the Company and Archisen (the “**Tranche 2 Completion Date**”). In the event that the conditions precedent in respect of the Tranche 2 Shares are not met or waived by the Company in its sole discretion in writing by the Tranche 2 Completion Date, (i) the obligations of the Company and Archisen in respect of the Tranche 3 Shares and (ii) Archisen shall be entitled to seek and obtain further investments from third parties subject to the Company’s Call Options (as defined below).

#### 3.1.3 Tranche 3 Shares

##### *Conditions Precedent*

The Company’s obligation to subscribe for the Tranche 3 Shares is conditional upon *inter alia* the following conditions having been fulfilled or waived by the Company in its sole discretion in writing (as the case may be):

- (a) Tranche 2 Shares having already been issued to the Company;
- (b) Archisen having acquired shares in one or more Farm Companies;
- (c) Archisen being deemed to have an acquired interest in at least 6,000 square feet of Vegetable Farming Land;
- (d) the letters of offer issued by the AVA to the respective Farm Companies for co-funding or grants (as the case may be) under the Agriculture Productivity Fund for an amount of up to S\$700,000 per Farm Company not having been revoked, suspended or cancelled, and otherwise being validly subsisting and to the benefit of the Farm Company;
- (e) all existing licences obtained and issued to Archisen being in full force and effect and there not having been the occurrence of any event nor the discovery of any fact or circumstances which will or may result in the licences being terminated, avoided, modified, revoked or otherwise adversely affected; and
- (f) there not having been at the occurrence of any Liquidation Event.

##### *Completion*

Tranche 3 Completion shall take place no later than 31 December 2018 or such later date as may be agreed between the Company and Archisen (the “**Tranche 3 Completion Date**”). In the event that the conditions precedent in respect of the Tranche 3 Shares are not met or waived by the Company in its sole discretion in writing by the Tranche 3 Completion Date, (i) the obligations of the Company and Archisen in respect of the Tranche 3 Shares shall cease and (ii) Archisen shall be entitled to seek and obtain further investments from third parties subject to the Company’s Call Options.

#### 3.1.4 Computation of Deemed Aggregate Interest in Vegetable Farming Land

For the purpose of paragraphs 3.1.2(c) and 3.1.3(c), the deemed aggregate interest in relation to the Vegetable Farming Land acquired by Archisen shall be the sum of Archisen’s deemed interest in the Vegetable Farming Land of each Farm Company as determined in accordance with the formula set out below:

$$DI = A \times B$$

Where:

**A** is Archisen's deemed shareholding percentage in the Farm Company comprising (i) shares registered in Archisen's name, and (ii) the maximum number of shares Archisen is entitled to from interests of any kind including but not limited to share options, conditional offers or awards, for shares in the Farm Company assuming all conditions have been or will be fulfilled (%);

**B** is the total Vegetable Farming Land of the Farm Company (square feet); and

**DI** is the Vegetable Farming Land of the Farm Company in which Archisen is deemed to have an interest in (square feet).

### 3.2 Grant of Call Options

Pursuant to the Subscription Agreement, Archisen has also granted to the Company the following call options (collectively, the "**Call Options**"):

- (a) a call option ("**Call Option A**") to, at any time during the period commencing from the date of signing of the Subscription Agreement and expiring on 31 March 2019, require Archisen to issue to the Company such number of Shares rounded up to the nearest whole number ("**Call Option A Shares**") which would represent 19.07% of the issued and paid-up share capital of Archisen immediately upon completion of the subscription of the Call Option A Shares; and
- (b) a call option ("**Call Option B**") to, at any time during the period commencing from the date of issue of the Call Option A Shares and expiring on 31 December 2019, require Archisen to issue to the Company such number of Shares rounded up to the nearest whole number ("**Call Option B Shares**"), which together with the Call Option A Shares previously allotted and issued to the Investor, would represent 20.74% of the issued and paid-up share capital of Archisen immediately upon completion of the subscription of the Call Option B Shares.

For illustrative purposes only, based on the Existing Share Capital:

- (i) assuming that 675,000 Subscription Shares have been allotted and issued to the Company, the number of Call Option A Shares to be issued to the Company, which together with the Subscription Shares would represent 19.07% of the resultant enlarged share capital of Archisen, would be 689,458 Shares; and
- (ii) number of Call Option B Shares to be issued to the Company, which together with the 675,000 Subscription Shares and 689,458 Call Option A Shares would represent 20.74% of the resultant enlarged share capital of Archisen, would be 945,578 Shares.

#### Conditions Precedent

The Company's right to exercise Call Option A is conditional upon the Tranche 1 Shares having been issued to the Company by Archisen. The Company's right to exercise Call Option B is conditional upon the Call Option A Shares having already been issued to the Company by Archisen.

In addition to the foregoing, completion of the subscription of Call Option A Shares and/or Call Option B Shares (collectively, the "**Option Shares**") (as the case may be) are conditional upon *inter alia* the following conditions having been satisfied or waived by the Company in its sole discretion in writing (as the case may be):

- (a) the issue and allotment by Archisen of the relevant Subscription Shares and/or the Option Shares (as the case may be) and the ownership by the Investor of such Shares not being prohibited by any statute, order, rule, regulation or directive (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Singapore; and
- (b) there not having been the occurrence of any Liquidation Event.

## 4. CONSIDERATION

### 4.1 Subscription Shares

The consideration for subscription of the Subscription Shares shall be up to S\$1,500,000 in cash (the “**Consideration**”). The Consideration was determined based on arms-length negotiations and arrived at on a willing-buyer willing-seller basis, taking into account, *inter alia*, Archisen’s earnings and growth potential.

The Consideration will be funded through the Group’s internal resources and/or bank borrowings.

### 4.2 Call Options

The exercise price for each Call Option A Share is S\$7.978 and the exercise price for each Call Option B Share is S\$17.978. There is no guarantee that the Company will exercise the Call Options. In addition, the actual number of Option Shares which may be allotted and issued to the Company pursuant to the exercise of the Call Options cannot be determined as at the date of this announcement. Nonetheless, for illustrative purposes only, assuming that 689,458 Shares Call Option A Shares and 945,578 Call Option B Shares are allotted and issued to the Company, the aggregate consideration for the Option Shares would be S\$22,500,974.208,

The exercise prices for the Option Shares were determined based on the projected value of Archisen, taking into consideration (1) the projected number of Farm Companies which Archisen may acquire shares in, (2) the projected aggregate area of Vegetable Farming Land Archisen may be deemed to have acquired an interest in, and (3) the projected financial profitability of Archisen. There is no certainty that Archisen would be able to meet the abovementioned projections.

In the event the Company exercises the Call Options, the consideration for the exercise of Call Options will be funded through the Group’s internal resources and/or bank borrowings.

## 5. RATIONALE

The Directors believe that the Subscription provides the Company with the opportunity to invest in a promising startup company and allows the Group to expand into the urban farming industry, where the demand for such products and services is expected to increase.

## 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 (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited in respect of the Subscription (including the exercise of the Call Options), are set out below:

| <b>Rule 1006<br/>of the<br/>Listing<br/>Manual</b> | <b>Bases</b>  | <b>Relative Figures</b>       |
|--|---|-------------------------------|
| (a)  | The aggregate net asset value of the assets to be disposed of, compared with the Group's net asset value.   | Not applicable <sup>(1)</sup> |
| (b)  | The aggregate net profits attributable to the assets acquired, compared with the Group's net profits.   | Not meaningful <sup>(2)</sup> |
| (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. | 12.4% <sup>(3)</sup>          |
| (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 <sup>(4)</sup> |
| (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 <sup>(5)</sup> |

**Notes:-**

- (1) Rule 1006(a) is not applicable to an acquisition of assets.
- (2) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit or loss before income tax, minority interests and extraordinary items. The Group announced unaudited net profits before tax of approximately S\$6,275,000 for the 3 months ended 31 March 2018. Based on the unaudited management accounts of Archisen drawn up to 31 May 2018, the net loss before tax attributable to the assets acquired is approximately S\$202,000 for the period from 1 December 2017 to 31 May 2018.
- (3) Based on the aggregate value of the consideration given (including the value of the Call Options to subscribe for further shares) of S\$24,000,000, divided by the market capitalisation of the Company, determined by multiplying the number of shares of the Company in issue excluding treasury shares of 876,667,121 shares by the volume weighted average price of the Company's shares on 28 June 2018 (being the market day immediately preceding the date of the Subscription Agreement) of S\$0.22 per share.
- (4) Not applicable, as no equity securities will be issued by the Company in connection with the Proposed Investment.
- (5) Not applicable, as the Company is not a mineral, oil and gas company.

## **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 Subscription (including the exercise of the Call Options) 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 Subscription (including the exercise of the Call Options) constitutes a "disclosable transaction" as defined in Chapter 10 of the Listing Manual.

## 7. FINANCIAL EFFECTS OF THE PROPOSED SUBSCRIPTION

The financial effects of the Subscription (including the exercise of the Call Options) set out below are for illustrative purposes only and are neither indicative of the actual financial effects of the Subscription (including the exercise of the Call Options) 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 the Completion. Based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2017 (“FY 2017”), the financial effects of the Subscription (including the exercise of the Call Options) are as follows:

(a) EPS

Assuming that the Subscription (including the exercise of the Call Options) was completed on 1 January 2017, the effect of the Subscription on the EPS of the Group for FY2017 will be as follows:-

|   | <b>Before the Subscription</b> | <b>After the Subscription</b> |
|---|--------------------------------|-------------------------------|
| <b>Net profit attributable to the shareholders of the Company (S\$'000)</b> | 16,340                         | 16,219                        |
| <b>Number of ordinary shares in the capital of the Company</b>              | 867,352,053                    | 867,352,053                   |
| <b>EPS (cents)</b>  | 1.88                           | 1.87                          |

(b) NTA

Assuming that the Proposed Subscription (including the exercise of the Call Options) was completed on 31 December 2017, the effect of the Subscription on the NTA of the Group for FY2017 will be as follows:

|  | <b>Before the Subscription</b> | <b>After the Subscription</b> |
|--|--------------------------------|-------------------------------|
| <b>NTA attributable to the shareholders of the Company (S\$'000)</b> | 148,842                        | 148,856                       |
| <b>Number of ordinary shares in the capital of the Company</b>       | 876,667,121                    | 876,667,121                   |
| <b>NTA per share (cents)</b>   | 16.98                          | 16.98                         |

## 8. SERVICE AGREEMENT

No person is proposed to be appointed as a director of the Company in connection with the Subscription. Accordingly, no service contract is proposed to be entered into between the Company and any such person.



**9. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Directors or controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the Subscription, save for their shareholdings in the Company.

**10. DOCUMENT FOR INSPECTION**

A copy of the Subscription Agreement 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 Ian  
Executive Director

29 June 2018