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

ENTRY INTO OF LETTERS OF OFFER FOR THE PROPOSED DISPOSAL OF THE LAND AND BUILDING USED FOR THE PAPER MANUFACTURING BUSINESS

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1. INTRODUCTION

1.1 The Board of directors (the "**Board**" or "**Directors**") of Avarga Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's announcement on 29 November 2024 in relation to the cessation of the paper business carried by its wholly-owned subsidiary, UPP Pulp & Paper (M) Sdn. Bhd. ("**UPP Malaysia**" or the "**Vendor**").

1.2 The Board wishes to announce that UPP Malaysia has on 31 January 2025 accepted two (2) letters of offers (the "**Letters of Offer**") from Ideal Quality Sdn. Bhd. (the "**Purchaser**"), for the purchase by the Purchaser of the land and building that were used for the paper manufacturing business (collectively, the "**Property**") (the proposed sale of the Property, the "**Proposed Disposal**").

1.3 The Letters of Offer are in respect of the following parcels of land located in Mukim Ijok, Daerah Kuala Selangor, Negeri Selangor, Malaysia:

(i) two parcels of leasehold agriculture land measuring approximately a total of 1.0049 hectares in area together with the existing structures comprising the water pump system, power distribution box and complete water piping system thereon ("**LO1**"); and

(ii) the parcel of freehold industrial land measuring approximately 29.45 acres in area, together with the existing structures comprising the water treatment plant and all its installations, cables and piping and the TNB substation and all the installations and facilities in relation to the power supply to the property ("**LO2**"). The document of title to the property is currently endorsed with a lease in favour of Tenaga Nasional Berhad ("**TNB**") registered on 19 November 2009 (the "**TNB Lease**").

2. INFORMATION ON THE PURCHASER

The Purchaser is a subsidiary of Kossan Rubber Industries Bhd., one of Malaysia's producers of disposable gloves and technical rubber products. The Purchaser is an independent third party unrelated to any of the directors or substantial shareholders of the Company.

3. RATIONALE FOR THE PROPOSED DISPOSAL

The Property was used for UPP Malaysia's paper manufacturing business. Due to the cessation of the paper manufacturing business after 31 December 2024, the Property is no longer required by the Group. Further, given that the Purchaser has expressed an interest in acquiring the Property, the Group finds it an opportune time to dispose of the Property.

4. SALIENT TERMS OF THE LETTERS OF OFFER

4.1 Under the Letters of Offers, the Property shall be sold together with the existing structures on, *inter alia*, an "as-is-where-is" basis and with vacant possession free from all charges, encumbrances, caveats, liens, squatters/occupants and/or encroachments.

4.2 LO1

The purchase price of the Property under LO1 is Malaysia Ringgit ("**RM**") 1,000,000. Payment of the purchase price shall be made in the following manner:

(a) First payment : an earnest deposit of a sum of RM20,000 equivalent to two percent (2%) of the purchase price shall be paid to the Vendor's solicitors as stakeholder upon the Vendor's acceptance of LO1;

(b) Second payment : a sum of RM80,000 equivalent to eight percent (8%) of the purchase price shall be paid by the Purchaser upon execution of the sale and purchase agreement in the following manner: (i) a sum equivalent to three percent (3%) of the purchase price to be retained by the Purchaser's appointed solicitors as stakeholder to be submitted as real property gains tax retention sum to the Inland Revenue Board of Malaysia; and (ii) a balance deposit of a sum equivalent to five percent (5%) of the purchase price to be paid to the Vendor's solicitors as stakeholder.

The Vendor's solicitors shall be authorised to release the earnest deposit and the balance deposit amounting to RM70,000 to the Vendor on the LO1 Unconditional Date (as defined below).

(c) Third payment : the balance purchase price of a sum of RM900,000 equivalent to ninety percent (90%) of the purchase price shall be paid to the Vendor's solicitors as stakeholder within (i) two (2) months from the LO1 Unconditional Date (the "**LO1 Completion Period**"); or (ii) in the event that the Purchaser requires additional time to pay the balance purchase price, an automatic extension of one (1) month from the expiry date of the LO1 Completion Period will be granted, subject to an interest charge at a rate of eight percent (8%) per annum on the outstanding amount calculated on a daily basis.

The sale and purchase of the Property under LO1 and all related payments are contingent upon the Vendor's fulfilment of the following conditions:

(a) firstly, to procure the completion of the Surrender and Re-alienation Application and the issuance of new titles to the Property under LO1 ("**New Titles**") within the category of land use as "*industry*"; and

(b) upon issuance of the New Titles, to obtain consent from the State Authority to transfer the Property under LO1 in favour of the Purchaser based on the particulars of the New Titles,

within six (6) months from the date of the sale and purchase agreement. If any of the conditions precedent is/are not fulfilled by the Vendor by the expiry of the six (6) month period, an automatic extension of a further three (3) months, or a longer period as mutually agreed by both parties, shall be granted to fulfil such conditions precedent. The date when the last of the conditions precedent is fulfilled by the Vendor shall be the "**LO1 Unconditional Date**" whereupon the LO1 Completion Period shall commence.

4.3 LO2

The purchase price of the Property under LO2 is RM90,000,000. Payment of the purchase price shall be made in the following manner:

(a) First payment : an earnest deposit of a sum of RM1,800,000 equivalent to two percent (2%) of the purchase price shall be paid to the Vendor's solicitors as stakeholder upon the Vendor's acceptance of LO2;

(b) Second payment : a sum of RM7,200,000 equivalent to eight percent (8%) of the purchase price shall be paid by the Purchaser upon execution of the sale and purchase agreement in the following manner: (i) a sum equivalent to three percent (3%) of the purchase price to be retained by the Purchaser's appointed solicitors as stakeholder to be submitted as real property gains tax retention sum to the Inland Revenue Board of Malaysia; and (ii) a balance deposit of a sum equivalent to five percent (5%) of the purchase price to be paid to the Vendor's solicitors as stakeholder.

The Vendor's solicitors shall be authorised to release the earnest deposit and the balance deposit amounting to RM6,300,000 to the Vendor on the LO2 Unconditional Date (as defined below).

(c) Third payment : the balance purchase price of a sum of RM81,000,000 equivalent to ninety percent (90%) of the purchase price shall be paid to the Vendor's solicitors as stakeholder within (i) four (4) months from the LO2 Unconditional Date (the "**LO2 Completion Period**"); or (ii) in the event that the Purchaser requires additional time to pay the balance purchase price, an automatic extension of one (1) month from the expiry date of the LO2 Completion Period will be granted, subject to an interest charge at a rate of eight percent (8%) per annum on the outstanding amount calculated on a daily basis.

The sale and purchase of the Property under LO2 and all related payments are contingent upon the Vendor having obtained a letter of consent from TNB pursuant to the TNB Lease, for its consent to transfer the Property under LO2 by the Vendor in favour of the Purchaser within three (3) months from the date of the sale and purchase agreement. If the condition precedent is not fulfilled by the Vendor by the expiry of the three (3) month period, an automatic extension of a further two (2) months, or a longer period as mutually agreed by both parties, shall be granted to fulfil such conditions precedent. The date when the condition precedent is fulfilled by the Vendor shall be the "**LO2 Unconditional Date**" whereupon the LO2 Completion Period shall commence.

4.4 The Proposed Disposal is conditional upon the parties entering into two (2) separate sale and purchase agreements which shall be drawn up by the Purchaser's solicitors. The sale and purchase agreements shall be finalised by both parties within twenty-one (21) working days from the date of acceptance of the Letter of Offer by UPP Malaysia or any extended period mutually agreed by the parties. The two (2) sale and purchase agreements will not be inter-conditional.

5. FINANCIAL INFORMATION

5.1 Book value and net tangible assets value of the Property

Based on the latest unaudited consolidated financial statements of the Group for the financial period ended 30 June 2024 ("**1H2024**"), the net book value of the Property is approximately S$11.4 million (equivalent to approximately RM39.5 million at an exchange rate of RM3.472 : S$1.00 as at 30 June 2024).

5.2 Gain on disposal

Based on the latest unaudited consolidated financial statements of the Group for 1H2024, the Proposed Disposal is expected to result in a gain on disposal of approximately S$14.1 million (equivalent to approximately RM48.8 million at an exchange rate of RM3.472 : S$1.00 as at 30 June 2024).

The net proceeds from the Proposed Disposal are expected to be approximately S$24.0 million (after accounting for potential capital gains tax of approximately S$1.4 million) and is intended to be utilised for the closure costs of the paper manufacturing business, repayment of bank borrowings, and/or investment purposes.

6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The *pro forma* financial effects of the Proposed Disposal on the Group set out below are purely for illustrative purposes only and are neither indicative of the actual financial effects of the Proposed Disposal on the net tangible assets ("**NTA**") per share and earnings per share ("**EPS**") of the Group, nor do they represent the future financial performance and/or the position of the Company and/or Group following completion of the Proposed Disposal. The *pro forma* financial effects have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2023 ("**FY2023**") with the following assumptions:

(a) for the purposes of illustrating the financial effects of the Proposed Disposal on the Group's NTA per share, it is assumed that the Proposed Disposal had been completed on 31 December 2023; and

(b) for the purposes of illustrating the financial effects of the Proposed Disposal on the Group's EPS, it is assumed that the Proposed Disposal had been completed on 1 January 2023.

6.1 **NTA**

	Before the Proposed Disposal	**After the Proposed Disposal**
NTA (S$'000)	291,730	304,192
Number of ordinary shares in the capital of the Company ("**Shares**") in issue	908,313,642	908,313,642
NTA per Share (cents)	32.12	33.49

6.2 **EPS**

	Before the Proposed Disposal	**After the Proposed Disposal**
Net profit attributable to Shareholders (S$'000)	10,927	24,171
Weighted average number of Shares in issue	908,313,642	908,313,642
EPS (cents)	1.2	2.66

7. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

Based on the latest unaudited consolidated financial statements of the Group for 1H2024 (being the latest announced consolidated accounts of the Group), the relative figures in relation to the Proposed Disposal computed using the applicable bases set out in Rule 1006 of the listing manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**") are as follows:

Rule 1006 of the Listing Manual	**Bases**	**Relative Figures**
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	2.39%[(1)]

Rule 1006 of the Listing Manual	Bases	Relative Figures
(b)	The net loss attributable to the assets disposed of, compared with the Group's net profits.	Not applicable[(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.	14.66%[(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[(4)]
(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[(4)]

Notes:-

(1) Based on the Group's net asset value of approximately S$476,176,000 for 1H2024 compared against the net asset value of the Property of approximately S$11,364,000 for 1H2024. "**Net Assets**" means total assets less total liabilities.

(2) The Property was used for UPP Malaysia's paper manufacturing business. Due to the cessation of the paper manufacturing business after 31 December 2024, the Property is no longer required by the Group.

(3) Based on the aggregate value of the Consideration of S$27.9 million payable by the Purchaser pursuant to the Proposed Disposal compared against the Company's market capitalisation of approximately S$190.7 million, determined by multiplying 908,313,642 Shares in issue as at 28 January 2025 and the weighted average price of S$0.21 per Share on 28 January 2025, being the last market day prior to the date of acceptance of the Letters of Offer.

(4) Not applicable as this relates to a disposal and the Company is not a mineral, oil and gas company.

As the relative figure computed on the basis of Rule 1006(c) of the Listing Manual exceeds 5% but does not exceed 20%, the Proposed Disposal constitutes a discloseable transaction under Chapter 10 of the Listing Manual.

8. SERVICE CONTRACTS

No new directors are proposed to be appointed to the Board in connection with the Proposed Disposal. As such, no service contracts are proposed to be entered into by the Company with any new director in connection with the Proposed Disposal.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders and their respective associates has any interest, direct or indirect, in the Proposed Disposal (other than through their respective shareholdings in the Company, if any).

10. DOCUMENT AVAILABLE FOR INSPECTION

The Letters of Offer will be made available for inspection during normal business hours from 9.00 a.m. to 5.00 p.m. (with prior appointment) at the registered office of the Company at 1 Kim Seng Promenade, #13-10, Great World City, Singapore 237994 for a period of 3 months from the date of this announcement.

11. CAUTIONARY STATEMENT

The Board would like to advise Shareholders that, the Proposed Disposal is subject to the execution of the sale and purchase agreements and the relevant definitive agreements by the parties and there is no assurance that completion of the Proposed Disposal will take place. Accordingly, Shareholders are advised to exercise caution in dealings in the Shares. Shareholders are advised to read this announcement and any further update announcement(s) released by the Company in relation to the Proposed Disposal carefully. Shareholders should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Tong Ian
Chief Executive Officer/Executive Director

31 January 2025