



AVARGA LIMITED

(Formerly known as UPP Holdings Limited)

(Incorporated in the Republic of Singapore)

(Company Registration Number: 196700346M)

(the “**Company**”)

CESSATION OF PAPER BUSINESS

The board of directors (the “**Board**”) of Avarga Limited (the “**Company**” or “**Avarga**”, together with its subsidiaries, the “**Group**”) wishes to announce that the paper manufacturing operations carried by its wholly-owned subsidiary, UPP Pulp & Paper (M) Sdn. Bhd. (“**UPP Malaysia**”), will cease after 31 December 2024, after the gas supply contract for its plant in Ijok, Selangor expires on that date.

The paper mill division has faced a challenging business environment which has seen local players in Malaysia incurring significant losses with a number of them having closed. The paper mill division had recorded pre-tax losses in the financial years ended 31 December 2022 and 2023 and the six month period ended 30 June 2024 (see below).

Given the challenging circumstances and continued losses incurred despite a major restructuring exercise undertaken since the end of year 2022 to mitigate losses and turnaround the business, the Board has decided that it would be in the interests of the Group to cease its paper business. As such, UPP Malaysia will not renew the gas supply contract for the paper plant, which ends on 31 December 2024, which is required for its paper manufacturing operations. Paper manufacturing operations at the plant will thus cease after 31 December 2024. UPP Malaysia will thereafter take the necessary steps to ensure an orderly cessation process including implementing the appropriate measures with respect to its workforce and fulfilling all existing obligations to customers and other relevant stakeholders.

For the financial year ended 31 December 2023, the paper mill division contributed to 1% of the Group’s revenue and 4% of the Group’s assets, and it recorded a pre-tax loss of S\$18.7 million (taking into account an impairment cost of S\$14.5 million in addition to impairment cost of S\$6.1 million recognised for the financial year ended 31 December 2022) compared to the Group’s pre-tax profit of S\$39.1 million. For the six month period ended 30 June 2024, the paper mill division contributed to 2% of the Group’s revenue (from continuing operations after the disposal of the Group’s power plant) and 5% of the Group’s assets (from continuing operations after the disposal of the Group’s power plant), and it recorded a pre-tax loss of S\$1.4 million compared to the Group’s pre-tax profit of S\$31.8 million.

The cessation is not expected to have any material impact on the consolidated net tangible assets per share and consolidated earnings per share of the Group for the current financial year ending 31 December 2024.

BY ORDER OF THE BOARD

Tong Ian
Chief Executive Officer/Executive Director

29 November 2024