



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

PROPOSED DISPOSAL OF THE COMPANY’S ENTIRE SHAREHOLDING INTEREST IN UPP GREENTECH 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 on 21 June 2024 entered into a conditional sale and purchase agreement (the “**SPA**”) with Greengene Pte. Ltd. (the “**Purchaser**”) for the disposal of its entire shareholding interest of 6,525,000 ordinary shares (the “**Sale Shares**”) in its wholly-owned subsidiary, UPP Greentech Pte. Ltd. (the “**Target**”) to the Purchaser (the “**Proposed Disposal**”). In connection therewith, the Company will also assign and transfer the account receivable of S\$12,804,163.59 owing by the Target to the Company (the “**Outstanding Receivables**”) to the Purchaser (the “**Assignment**”).

Upon completion of the Proposed Disposal (“**Completion**”), the Target will cease to be a subsidiary of the Company. Further, as the Target holds the entire shareholding interest of UPP Power (Myanmar) Limited (“**UPP Power Myanmar**”), the Company will transfer and cease to have any interest in UPP Power Myanmar upon Completion. As such upon Completion, the Group will no longer be involved in the power plant business. Further details on the Target and UPP Power Myanmar (collectively “the “**Target Companies**”, and each a “**Target Company**”) are set out in Section 2.1 below.

2. INFORMATION ON THE TARGET COMPANIES AND THE PURCHASER

2.1 Information on the Target Companies

The Target is a company incorporated in Singapore on 4 June 1973 and is an investment holding company. As at the date of this announcement, the issued and paid-up share capital of the Target is S\$6,525,000 comprising 6,525,000 ordinary shares.

UPP Power Myanmar is a company incorporated in Myanmar and its principal activities are to design, operate and maintain power plants for electricity generation and sell the electricity produced to the Myanmar Government. As at the date of this announcement, the issued and paid-up share capital of UPP Power Myanmar is United States Dollar (“**US\$**”) 21,511,000 comprising 21,511,000 ordinary shares.

UPP Power Myanmar has a 30-year service concession arrangement with Electric Power Generation Enterprise (“**EPGE**”), a governmental body of the Republic of the Union of Myanmar, to provide electricity generated by it to EPGE on a take or pay and Build-Operate-Transfer basis (the “**Ywama Power Project**”).

2.2 Information on the Purchaser

The Purchaser is a company incorporated in Singapore on 8 May 2024 and is an investment holding company. The Purchaser is an independent third party unrelated to any of the directors or substantial shareholders of the Company.

3. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

3.1 Consideration and Payment

The aggregate consideration for the Sale Shares and the Assignment shall comprise:

- (a) US\$10,000,000; and
 - (b) an amount equivalent to the sum of the net current asset value (as determined in accordance with the provisions of the SPA) of each of the Target Companies as at the Completion Date (as defined below) (such amount, the **“Adjustment Amount”**),
- (collectively, the **“Consideration”**).

The Consideration shall be apportioned between the Assignment and the Sale Shares in the following manner:

- (a) for the Assignment, the Outstanding Receivables (being an amount of S\$12,804,163.59); and
- (b) the remaining balance of the Consideration, after deducting the Outstanding Receivables (based on the exchange rate between S\$ and US\$ published on the Completion Date by the Monetary Authority of Singapore), shall be allocated as consideration for the Sale Shares.

The Consideration was arrived at on a willing-buyer willing-seller basis taking into account, amongst others, the book value of the Target Companies and the current political and economic situation in Myanmar. No valuation was commissioned on the Target Companies. The Consideration will be fully satisfied in cash.

The Purchaser had upon the execution of the SPA, paid an amount of US\$2,000,000 to an escrow agent (the **“Escrow Agent”**) as a deposit to hold in accordance with the escrow agreement entered into among the Company, the Purchaser and the Escrow Agent. The remaining Consideration shall be satisfied in the following manner:

- (a) on completion of the Proposed Disposal, the Purchaser shall:
 - (i) pay to the Escrow Agent, an additional amount of US\$3,000,000, which shall be added to the initial deposit amount of US\$2,000,000 and shall form the deposit paid to and held by the Escrow Agent which will amount to an aggregate of US\$5,000,000 (the **“Deposit”**); and

- (ii) pay to the Company, an amount of US\$5,000,000 and the Estimated Adjustment Amount (as defined in Section 3.2.1 below), subject to adjustment in accordance with Section 3.2.3 below;
- (b) on fulfilment of the Condition Subsequent (the details of which are set out in Section 3.5 below) such that Stage 1 Settlement (as defined in Section 3.5 below) takes place, or waiver of the Condition Subsequent (as the case may be) the Company and the Purchaser shall procure that the Deposit less the Monetary Compensation (as defined in Section 3.5 below) (if applicable, and which shall be released back to the Purchaser), shall be paid by the Escrow Agent to the Company, as the final payment of the Consideration. If the Monetary Compensation exceeds the Deposit amount, then the entire amount of the Deposit shall be set off against the Monetary Compensation and released back to the Purchaser, and the Company shall pay the balance thereto to the Purchaser within 10 business days from such fulfilment or waiver; and
- (c) where there is no fulfilment, acceptance of non-fulfilment or waiver of the Condition Subsequent (as the case may be) the UPP Myanmar Share Sale (as defined in Section 3.5 below) shall be carried out and the UPP Power Myanmar Termination Notice (as defined in Section 3.5 below) shall be issued. The Company and the Purchaser shall procure that the Deposit less the Monetary Compensation (if applicable, and which shall be released back to the Purchaser), shall be paid by the Escrow Agent to the Company, as the final payment of the Consideration at the Stage 2 Completion (as defined in Section 3.5 below). If the Monetary Compensation exceeds the Deposit amount, then the entire amount of the Deposit shall be set off against the Monetary Compensation and released back to the Purchaser, and the Company shall pay the balance thereto to the Purchaser within 10 business days from the date of the Stage 2 Completion.

3.2 Adjustment

3.2.1 Determination of Estimated Adjustment Amount

No less than 5 business days before the Completion Date, the Company will prepare and deliver to the Purchaser a pro forma statement computing and specifying the Adjustment Amount (the “**Pro Forma Statement**”), based on the projected values as at the Completion Date (the “**Estimated Adjustment Amount**”). In the absence of manifest error, such Estimated Adjustment Amount shall be payable by the Purchaser to the Company on Completion.

3.2.2 Determination of Completion Adjustment Amount

Unless the Purchaser confirms in writing that it has no objection to the Pro Forma Statement prepared in accordance with Section 3.2.1 above, within 5 business days after the Completion Date, the Company shall prepare and deliver a balance sheet of the Target Companies as at the Completion Date (the “**Draft Completion Accounts**”). The Draft Completion Accounts shall be prepared in the same form as the Pro Forma Statement and shall set out the computation of the Adjustment Amount (such amount, the “**Completion Adjustment Amount**”). Upon agreement by the Purchaser of the computation of the Completion Adjustment Amount in the Draft Completion Accounts, such accounts shall be deemed finalised (the “**Completion Accounts**”).

3.2.3 Adjustment of Consideration

Based on the Completion Accounts:

- (a) if the Completion Adjustment Amount is less than the Estimated Adjustment Amount, then the Company shall pay an amount equal to such difference to the Purchaser; or
- (b) if the Completion Adjustment Amount is greater than the Estimated Adjustment Amount, then the Purchaser shall pay or procure to be paid an amount equal to the such difference to the Company.

Payment pursuant to Section 3.2.3(a) or Section 3.2.3(b) shall be made by the Purchaser or the Company, as the case may be, no later than 10 business days after confirmation of the Completion Accounts.

For the avoidance of doubt, if the Purchaser confirms in writing that it has no objection to the Pro Forma Statement prepared in accordance with Section 3.2.1 above, or the Completion Adjustment Amount is equal to the Estimated Adjustment Amount, no payment is required.

3.3 **Conditions precedent**

The obligation of the Company and the Purchaser to complete the Proposed Disposal is conditional upon the satisfaction or waiver (as the case may be) of the following conditions precedent:

- (a) all the warranties and representations given by the Company being true and accurate in all material respects and not misleading in any material respect as at the Completion Date;
- (b) all covenants and undertakings of the Company under the SPA have been complied with in all material respects as at the Completion Date;
- (c) the delivery to the Purchaser of written confirmation from the Company dated as at the Completion Date that:
 - (i) there has not been a breach of any covenants, terms and conditions in any lease or land grant documents by UPP Power Myanmar;
 - (ii) there is no pending action by any government authority against any of the Target Companies; and
 - (iii) there is no overdue sum or rent payable by any of the Target Companies;
- (d) no government authority having commenced, or threatened to commence, any proceedings or investigation for the purpose of prohibiting or otherwise challenging or interfering with the performance of the Ywama Power Project or the usage of the land, buildings and fixtures located at, belonging to, and/or used by, the Ywama Power Project (the “**Property**”);
- (e) no applicable laws having been enacted which will prohibit the transactions contemplated in the SPA;

- (f) no notice of compulsory acquisition or intended compulsory acquisition or a gazette notification from any governmental authority:
 - (i) in respect of any part of the land comprising the Property upon which the physical structure of the building has been constructed on but excluding any part of the land of the Property where the physical structure of the building has not been erected on;
 - (ii) in respect of any part of the buildings erected on the Property; and/or
 - (iii) that results or will result in the current access to the Property comprising both the current pedestrian and vehicular access, to be restricted;
- (g) no material damage to the Property or Ywama Power Project has occurred; and
- (h) the E70 maintenance under the operation and maintenance agreement dated 26 May 2014 between UPP Power Myanmar and Myan Shwe Pyi Tractors Ltd (the “**O&M Agreement**”) in relation to the Ywama Power Project not having been carried out and no costs having been incurred by any of the Target Companies in respect thereof.

If any one of the conditions precedent is not fulfilled or waived on or before the date falling 1 month from the date of the SPA (the “**Long Stop Date**”), the Purchaser may terminate the SPA (other than the surviving provisions). In the event that the SPA is terminated by the Purchaser, the Company shall refund the Deposit already paid by the Purchaser to the Company upon the execution of the SPA (being the amount of US\$2,000,000) to the Purchaser.

3.4 Completion

Completion shall take place on a date falling 10 business days after the date on which notice is given by the Company to the Purchaser of the fulfilment of the conditions precedent set out in Section 3.3 above, or such other date as may be agreed in writing between the Company and the Purchaser (the “**Completion Date**”).

3.5 Condition Subsequent

As a condition subsequent to Completion (the “**Condition Subsequent**”), the Purchaser shall cause UPP Power Myanmar to terminate the O&M Agreement by issuing a termination notice (the “**O&M Termination Notice**”). In the event that such termination is not finalised in accordance with the manner prescribed in the SPA within 2 months from the date of the issuance of the O&M Termination Notice (“**Stage 1 Settlement**”), the Purchaser shall (a) accept such non-fulfillment and the Condition Subsequent shall be deemed waived, or (b) procure that a controlling interest in UPP Power Myanmar held by the Target is sold and transferred to a third party (the “**UPP Power Myanmar Share Sale**”), and upon which shall further procure that UPP Power Myanmar forthwith terminate the O&M Agreement by issuing a termination notice (the “**UPP Power Myanmar Termination Notice**”). On the date falling 3 months from the date of the issuance of the UPP Power Myanmar Termination Notice (“**Stage 2 Completion**”), the Company and the Purchaser shall jointly instruct the Escrow Agent to release the Deposit in accordance with Section 3.1(c) above.

Under the SPA, the Company shall indemnify and hold harmless the Purchaser and the Target Companies from, *inter alia*, the Stage 1 Settlement or Stage 2 Completion (as the case may be)

and any capital gains tax that may be payable in Myanmar in connection with the UPP Power Myanmar Share Sale (the **“Monetary Compensation”**) provided that (a) such Monetary Compensation shall not exceed the amount of US\$10,000,000, and (b) the Company shall only indemnify the Purchaser against any capital tax in connection with the UPP Power Myanmar Share Sale if (i) all documents relating to the UPP Power Myanmar Share Sale have been approved by the Purchaser before its execution, submission and/or filing and (ii) the consideration of the UPP Power Myanmar Share Sale is equivalent to the Consideration.

4. RATIONALE FOR AND BENEFITS OF THE PROPOSED DISPOSAL

The operating environment took a turn for the worst in Myanmar after the Tatmadaw (military) assumed control of the government in Myanmar on 1 February 2021 and announced a one-year state of emergency. The state of emergency was thereafter extended multiple times and is currently in effect until 31 July 2024. Since then, the country has witnessed public protests and labour strikes. Sanctions were also imposed on the Myanmar military and businesses associated with it. Since the Tatmadaw (military) took control of the government in Myanmar, the supply of gas to the power plant was short of what was agreed. The supply became inconsistent and consequently, the sale of electricity fell short of the volume agreed under the power purchase agreement entered into between UPP Power Myanmar and EPGE. In the financial year ended 31 December 2023 (**“FY2023”**), UPP Power Myanmar only sold 74% of the annual minimum offtake for that year. As further disclosed in the Company’s Annual Report FY2023, the Group has determined that the credit risk on the service concession receivables for UPP Power Myanmar has increased significantly, taking into consideration forward-looking information on the risk of foreign currency shortages, a weakening economy since October 2022, and that Myanmar has been included by the Financial Action Task Force in its list of “High-Risk Jurisdiction subject to a Call for Action”. In light of the foregoing, the Board is of the view that the Proposed Disposal is in the best interests of the Company.

5. FINANCIAL INFORMATION

5.1 Book value and net tangible assets value of the Target Companies

Based on the latest audited consolidated financial statements of the Group for FY2023, the book value and net tangible asset value of the Target Companies is approximately S\$10.5 million.

5.2 Gain on disposal

Based on the audited consolidated financial statements of the Group for FY2023, the Proposed Disposal is expected to result in a gain on disposal of approximately S\$3.3 million. This is based on a Consideration of S\$15,376,000 (the **“Indicative Consideration”**), being the aggregate of US\$10,000,000 (equivalent to approximately S\$13,511,000 at an exchange rate of US\$1.00 : S\$1.3511 as at 20 June 2024) and the estimated Adjustment Amount of S\$1,865,000 based on the net current asset value (as determined in accordance with the provisions of the SPA) of each of the Target Companies as at 31 May 2024.

The net proceeds from the Proposed Disposal (assuming that no Monetary Compensation is payable and there is no set off against the Deposit) are expected to amount to approximately S\$13.5 million and is intended to be utilised for settlement of the power plant’s potential O&M expenses or claims (if any), repayment of bank borrowings and/or working capital requirements.

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. The *pro forma* financial effects have been prepared based on the audited consolidated financial statements of the Group for 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 in 1 January 2023.

6.1 NTA

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$’000)	291,730	294,504
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	32.42

6.2 EPS

	Before the Proposed Disposal	After the Proposed Disposal
Net profit attributable to Shareholders (S\$’000)	10,927	7,991
Weighted average number of Shares in issue	908,313,642	908,313,642
EPS (cents)	1.20	0.88

7. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

Based on the latest audited consolidated financial statements of the Group for FY2023 (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.	2.37% ⁽¹⁾
(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group’s net profits.	(26.16%) ⁽²⁾⁽³⁾
(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.	8.91% ⁽⁴⁾
(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 ⁽⁵⁾
(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 ⁽⁵⁾

Notes:-

- (1) Based on the Group’s net asset value of approximately S\$448,048,000 for FY2023 compared against the net asset value of the Target Companies of approximately S\$10,599,000 for FY2023.
- (2) “Net Profits” means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests, as set out in Rule 1002(3)(b) of the Listing Manual.
- (3) Based on Group’s net profit before income tax of approximately S\$39,109,000 for FY2023 compared against the Target Companies’ net loss before income tax of approximately S\$10,230,000, which takes into account the one-off write down of future receivables of the business of the Target Companies due to accounting prudence (the “**Impairment**”). Please refer to page 94 of the Company’s Annual Report 2023 for details relating to the Impairment. If the Impairment had not been made, the Group’s net profit before income tax would be S\$52,816,000 and the business of the

Target Companies would have recorded a net profit of S\$3,477,000, and the relative percentage based on such net profit figures would have been positive 6.58%.

- (4) Based on the aggregate value of the Indicative Consideration payable by the Company to the Purchaser pursuant to the Proposed Disposal, being approximately US\$10,000,000 (equivalent to approximately S\$13,511,000 at an exchange rate of US\$1.00 : S\$1.3511 as at 20 June 2024) and assuming an Adjustment Amount of S\$1,865,000, based on the Company's market capitalisation of approximately S\$172,579,592, determined by multiplying 908,313,642 Shares in issue as at 20 June 2024 and the weighted average price of S\$0.190 per Share on 20 June 2024, being the last market day prior to the date of the SPA.
- (5) Not applicable as this relates to a disposal and the Company is not a mineral, oil and gas company.

As disclosed above, the relative figure computed under Rule 1006(b) is approximately negative 26.16%. Under Rule 1007(1) of the Listing Manual, if any of the relative figures computed pursuant to Rule 1006 of the Listing Manual involves a negative figure, Chapter 10 of the Listing Manual may still be applicable to the transaction in accordance with the applicable circumstances in Practice Note 10.1 of the Listing Manual. In this regard, as the Target Companies are a loss-making asset, the absolute relative figures computed on the basis of Rule 1006(a) and Rule 1006(c) of the Listing Manual do not exceed 20% and the Group is expected to record a gain on disposal, the Proposed Disposal falls within Paragraph 4.4(e) of Practice Note 10.1 and 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 SPA 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, although the SPA has been entered into, completion of the Proposed Disposal is subject to conditions precedent being fulfilled 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

21 June 2024