

PROPOSED ACQUISITION OF ASSETS

1. INTRODUCTION

- 1.1 The board of directors (the “**Board**”) of T T J Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that T T J Greenfuel Pte. Ltd. (the “**Purchaser**”), an indirect subsidiary of the Company, has today entered an asset sale and purchase agreement (the “**SPA**”) with Biofuel Industries Pte. Ltd. (the “**Vendor**”) pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Assets (as defined below) for an aggregate consideration of \$16,180,000 (the “**Consideration**”) (the “**Proposed Acquisition**”) for the purpose of undertaking a wood pellet manufacturing business in Singapore.
- 1.2 None of the Vendor, nor any of its shareholders and/or directors has any shareholdings interests (direct or indirect) in the Company. The Vendor and its shareholder and director are independent third parties who are unrelated to any of the Company’s directors and/or controlling shareholders of the Company, or their respective associates.

2. INFORMATION ON THE ASSETS

The information in this section relating to the Assets (as defined below) is based on information provided by and/or representations made by the Vendor. The Directors have not conducted independent review or verification of the statements and information below.

2.1 The Assets

The assets comprise:

- (a) the property situated at 51 Shipyard Crescent Singapore 758044 (the “**Property**”); and
- (b) machinery used in the manufacturing process for wood pellets located in or on the Property (the “**Other Assets**”),

(collectively, the “**Assets**”)

2.2 Property

The Property has a total land area of 20,000 square metres. The remaining lease of the Property with JTC Corporation (“**JTC**”) expires in December 2034 and the lease will be assigned to the Purchaser upon completion of the Proposed Acquisition free from all and any charges, liens, mortgages or encumbrances and with vacant possession.

The Property is currently used mainly as a wood recycling plant to convert wood waste into wood chips, and the Group intends to upgrade and enhance the existing production line so as to achieve better efficiency and productivity of the plant and such that it will be able to convert wood waste into wood pellets instead. The Group intends to continue operating a wood recycling plant at the Property.

The Purchaser and the Vendor will be entering into a separate instrument for assignment of the Property from the Vendor to the Purchaser upon the receipt of approval of the same provided by JTC.

2.3 Other Assets

The Other Assets will be used to process wood waste to wood pellets for wood pellet manufacturing. As such, the Other Assets will be used in the ordinary course of the Group's business. The Other Assets will also be sold free from any encumbrances.

3. RATIONALE FOR THE PROPOSED ACQUISITION

- 3.1 Subsequent to the approval by shareholders on 30 November 2017 of the proposed diversification by the Group to the new business of waste management and treatment, Mr Elavarasu Somasundaram, the Chief Operating Officer of the Group, has been actively seeking for investment opportunities for the Group in the waste management and treatment industry. Mr Elavarasu Somasundaram had reviewed the potential business and operations in wood pellet manufacturing, in relation to the Proposed Acquisition, and had recommended the same to the Board, being of the view that it would be in the Group's best interests to enter into the Proposed Acquisition.
- 3.2 The Proposed Acquisition will provide the Group with a base to jumpstart its foray into the waste management industry in Singapore. The Group intends to further develop the existing production line at the Property such that it will be able to convert wood waste into wood pellets, a higher value-add product. This will enable the Group to tap onto the increasing demand for wood pellets from Asia's largest consumers, Japan and South Korea. New biomass-consuming power plants are scheduled to become live in Japan and South Korea by 2020, which will further increase demand for wood pellets, and importers are likely to diversify their biomass feedstocks to ensure sufficient supply. ⁽¹⁾
- 3.3 This is also in line with the Group's decision to acquire a factory in Thailand whereby wood waste would be converted into wood chips, before being subsequently made into wood pellets, as announced by the Group on 4 October 2018. The Group believes there will be synergy in skill acquisition and establishing a track record.
- 3.4 In light of the above, the Board is of the view that the Proposed Acquisition would allow the Group to bring in an additional revenue stream which would in turn improve shareholder value and return.

Note:

- (1) <https://powerlinks.news/article/34774a/asian-wood-pellet-prices-gain-ground>

4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

Consideration

- 4.1 The aggregate consideration for the sale and purchase is \$16,180,000 (the “**Consideration**”). The Consideration was arrived at after arm’s length negotiations between the Purchaser and the Vendor and on a willing-buyer and willing-seller basis.
- 4.2 In arriving at the Consideration, the parties took into account, amongst others:
- (a) prevailing market conditions, the location, size and state of maintenance of the Property, the state of the Other Assets; and
 - (b) that the Group had commissioned Premas Valuers & Property Consultants Pte Ltd (“**Premas**”), an independent third party valuer, to undertake a valuation of the Property. Premas had valued the market value of the Property at \$15,500,000 in their valuation report dated 26 November 2018 (the “**Valuation Report**”). The Board has reviewed the Valuation Report and is satisfied with the basis of preparation and the assumptions and qualifications used.

After negotiations between the Purchaser and the Seller, the parties had decided to impute a consideration of \$16,180,000 for the Property and the Other Assets.

4.3 Source of Funds

The Company intends to fund the Proposed Acquisition by internal resources and bank borrowings. The Directors will determine the optimal mix of internal funding and external funding, taking into account the cashflow of the Group and prevailing funding costs.

Conditions Precedent

- 4.4 The completion of the SPA is conditional upon:
- (a) the resolution of the board of directors of the Purchaser having been obtained for the entry into and completion of, the transactions contemplated to be entered into in the SPA;
 - (b) the resolutions of the board of directors of the Vendor having been obtained for the completion of the transactions contemplated to be entered into in the SPA;
 - (c) the consent of JTC having been obtained for the assignment of the Property to the Purchaser;

- (d) there not being any conditions imposed by JTC in their consent which is unacceptable to the Purchaser;
- (e) the execution of the instrument for the assignment of the Property from the Vendor to the Purchaser;
- (f) the fulfilment of all conditions as may be required by JTC for the assignment of the Property from the Vendor to the Purchaser;
- (g) the execution by the Vendor of an undertaking to fulfil the conditions as may be required by JTC subsequent to the assignment of the Property from the Vendor to the Purchaser (where required);
- (h) save as otherwise disclosed to the Purchaser as at the date of this Agreement, the condition of the Assets not being in breach of any regulatory authority and/or financial institution;
- (i) the consent from the relevant financial institutions having been obtained for the discharge of any part thereof or all of the Assets as security and/or the transfer of any part thereof or all of the Assets to the Purchaser, where applicable;
- (j) the provision of management accounts made up to 30 September 2018 by the Vendor and confirmed by the Vendor to be a true, fair and accurate representation of its financial condition;
- (k) the Vendor being the legal and beneficial owner of the Assets at Completion;
- (l) the Assets to be free from any encumbrances, including any existing debt in relation thereto, or if otherwise, for a pledge to be made by the Vendor to pay up all debts and settle all such encumbrances within such period of time as the Purchaser shall specify;
- (m) all necessary consents, approvals and waivers of the relevant authorities having jurisdiction over the transactions contemplated in the SPA;
- (n) the Vendor not having received notice of any injunction or other order, directive or notice restraining or prohibiting the consummation of the transactions contemplated by the SPA, and there being no action seeking to restrain or prohibit the consummation thereof, or seeking damages in connection therewith, which is pending or any such injunction, other order or action which is threatened;
- (o) the satisfactory outcome of due diligence carried out by the Purchaser, in its sole and absolute discretion, into the Assets, including the disclosure by the Vendor of all documents relating to its financial and legal status;

- (p) each of the representations, undertakings and warranties of the Vendor under the SPA remaining true and not misleading in any material respect as at the Completion Date, as if repeated as at the Completion Date and at all times between the date of this Agreement and as at the Completion Date;
- (q) there not having been at any time prior to or on Completion Date the occurrence of any of the following events:
 - (i) liquidation, bankruptcy or insolvency of the Vendor or the Purchaser;
 - (ii) termination of substantially all or part of the business of the Vendor or the Purchaser by resolution of the general meeting of its shareholders;
 - (iii) appointment of any assignee, receiver or liquidator for substantially all or part of the assets or business of the Vendor or the Purchaser; or
 - (iv) attachment, sequestration, execution or seizure of substantially all or part of the assets of the Vendor or the Purchaser.

(collectively, the “**Conditions Precedent**”).

Completion

- 4.5 Completion of the SPA shall take place no later than one (1) business day after fulfilment of the Conditions Precedent or such other date as the Vendor and the Purchaser may mutually agree in writing, provided always that it shall take place no later than 28 February 2019 (the “**Completion Date**”). During Completion, titles to the Assets will be transferred to the Purchaser.

5. CHAPTER 10 OF THE LISTING MANUAL

- 5.1 The relative figures computed on the bases set out in Rule 1006 of the Listing Manual in respect of the Proposed Acquisition are set out below:

Bases in Rule 1006	Relative figures
(a) net asset value of the assets to be disposed of, compared with the Target Companies’ net asset value	Not applicable, as this is not a disposal of assets
(b) net profits attributable to the assets acquired, compared with the Group’s net profits	Not applicable ⁽¹⁾
(c) aggregate value of the consideration compared with the Company’s market capitalisation based on the total number of issues shares excluding treasury shares	16.24% ⁽²⁾

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| (d) | 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, as the Consideration will be satisfied in cash |
| (e) | aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the group's proven and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets | Not applicable, as the Group is not a mineral, oil and gas company |

Notes:

- (1) Not applicable as the Proposed Acquisition are of Property and the Other Assets where no operating profits were attributable to the same.
- (2) The market capitalisation of the Company was approximately \$99,607,500 determined by multiplying the 349,500,000 shares in issue as at this date (excluding treasury shares), by the weighted average price of the Company's shares of \$0.285 per share based on trades done on the Mainboard on 27 November 2018 (being the last full market day preceding the date of signing of the SPA).

5.2 As the relative figure computed on the basis set out in Rule 1006(c) exceeds 5% but does not exceed 20%, the Proposed Acquisition constitute a discloseable transaction as defined under Chapter 10 of the Listing Manual.

6. FINANCIAL EFFECTS

6.1 Bases and Assumptions

The pro forma financial effects of the Proposed Acquisition are based on, amongst others, the audited consolidated financial statements of the Company and the Group for the financial year ended 31 July 2018.

The pro forma financial effects are presented for illustration purposes only and are not intended to reflect the actual future financial situation of the Company or the Group following the completion of the Proposed Acquisition.

6.2 Net tangible assets ("NTA") per share

Assuming that the Proposed Acquisition were completed on 31 July 2018, the pro forma financial effects of the Proposed Acquisition on the consolidated NTA of the Group are as follows:

	Before Proposed Acquisition	After Proposed Acquisition
Consolidated NTA attributable to shareholders (S\$)	139,045,000	139,045,000 ⁽¹⁾

Number of shares ⁽²⁾	349,500,000	349,500,000
Consolidated NTA per share attributable to shareholders (Singapore cents)	39.78	39.78

Notes:

- (1) There is no change in the NTA as the non-current assets will be increased and the cash and cash equivalents will be decreased by the same amount at the same time due to the Proposed Acquisition.
- (2) Excluding 500,000 treasury shares.

6.3 Earnings per share (“EPS”)

Assuming that the Proposed Acquisition were completed on 1 August 2017, the financial effects of the Proposed Acquisition on the EPS of the Group are as follows:

	Before Proposed Acquisition	After Proposed Acquisition
Consolidated profit/(loss) after taxation and minority interests (S\$)	8,327,000	7,222,000 ⁽¹⁾
Weighted average number of shares ²	349,500,000	349,500,000
Consolidated earnings/(loss) per share (Singapore cents)	2.38	2.06

Notes:

- (1) The decrease in consolidated profit after taxation and minority interests is due to depreciation of the Property by \$968,750 and depreciation of the Other Assets by \$136,000, all other things being constant.
- (2) Excluding 500,000 treasury shares.

7. SERVICE AGREEMENTS

No person will be appointed to the Board in connection with the Proposed Acquisition. Accordingly, there is no service contract proposed to be entered into between the Company with any person proposed to be appointed as a director to the Board.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors has any interest, direct or indirect, in the Proposed Acquisition (other than by reason only of being a Director and through their respective shareholdings in the Company and the Purchaser) and as far as the Directors are aware,

none of the controlling shareholders of the Company has any interest, direct or indirect in the Proposed Acquisition (other than through their shareholdings in the Company).

9. DOCUMENTS FOR INSPECTION

The SPA and the Valuation Report are available for inspection during normal business hours at the registered office of the Company at 57 Pioneer Road Singapore 628508 for a period of three (3) months from the date of this announcement.

10. CAUTIONARY STATEMENT

Shareholders are advised that the completion of the Proposed Acquisition is subject to certain conditions precedent being fulfilled and there is no certainty or assurance that the Proposed Acquisition will be completed or that no changes will be made to the terms of the SPA. Accordingly, the Board wishes to advise shareholders and investors to exercise caution when dealing in the shares of the Company. Shareholders and investors should consult their stockbroker, bank managers, solicitor or other professional advisers if they have any doubt about the actions that they should take.

11. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

By Order of the Board

Teo Hock Chwee
Chairman and Managing Director

28 November 2018