
PROPOSED ACQUISITION OF ASSETS IN THAILAND

All exchange rates used in this announcement are based on the illustrative exchange rate of S\$1.00 to THB23.5253 as at 3 October 2018, unless otherwise stated.

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 Green Energy (Thailand) Co., Ltd. (the “**Purchaser**”), an indirect subsidiary of the Company, has today entered an asset sale and purchase agreement (the “**SPA**”) with Union Sangthong Part Centre Co., Ltd (the “**Vendor**”), an unrelated and independent third party, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase property, land and machinery for an aggregate consideration of THB140,000,000 (equivalent to S\$5,951,039.94) (the “**Consideration**”) (the “**Proposed Acquisition**”) for the purpose of undertaking a wood pellet manufacturing business in Thailand.
- 1.2 The Vendor had previously entered into a loan agreement with Krungthai Bank Public Company Limited (“**KT Bank**”) and had defaulted on the loan agreement. As a result, the Vendor had entered into a debt restructuring agreement (the “**DRA**”) with KT Bank. Pursuant to the terms of the loan agreement and DRA, the Vendor had, amongst others, transferred legal title and ownership of Property and Land (as defined below) to KT Bank and mortgaged the Other Assets (as defined below) to KT Bank. Pursuant to the terms of the DRA, the Vendor has the option to, amongst others, buy back Property and Land, or nominate such other person to buy back Property and Land, from KT Bank (the “**Buyback Option**”). Pursuant to the SPA, the Vendor shall exercise the Buyback Option and nominate the Purchaser to be the owner of the Property and Land.
- 1.3 None of the Vendor, nor any of its shareholders and/or directors has any shareholdings interests (direct or indirect) in the Company. The Vendors and their shareholders and directors 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 AND THE VENDORS

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

2.1 The Assets

The Assets comprise:

- (a) a parcel of land having an approximate area of 13 rai 3 ngan, 79.6 square wa (approx. 22,318.4 m²) together with all buildings erected thereon located in Chachoengsao District, the Kingdom of Thailand (the “**Property and Land**”); and
- (b) machinery used in the manufacturing process for wood pellets located in or on the Property and Land (the “**Other Assets**”).

2.2 Property and Land

The Property and Land is freehold and located within the “Gateway City Industrial Estate” located on highway no. 331 (Sattahip – Khao Hin Son Road) within Hua Samrong Sub-District, Plaeng Yao District, Chachoengsao Province, Thailand. A single-storey factory, restrooms and machinery are situated on the Land. The Property and Land will be sold free from all and any charges, liens, mortgages or encumbrances and with vacant possession.

The factory currently operates as a wood pellet manufacturing factory, and the Group intends to upgrade and enhance the existing production line so as to achieve better efficiency and productivity of the factory. The Group intends to continue operating a wood pellet manufacturing factory on the Property and Land.

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 is also sold free from any encumbrances.

3. RATIONALE FOR THE PROPOSED ACQUISITION

- 3.1 The Proposed Acquisition will enable the Group to jumpstart its foray and immediately penetrate into the waste management industry. As the Property and Land includes a pre-existing wood pellet manufacturing factory, it will allow the Group to continue operations without downtime required for construction works. In addition, as wood pellet demand from Asia’s largest consumers, Japan and South Korea, has been increasing steadily, the Proposed Acquisition will provide the Group with the opportunity to tap onto the industry growth by entering into the wood pellet manufacturing business. 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⁾

- 3.2 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 THB140,000,000 (equivalent to S\$5,951,039.94) (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, prevailing market conditions, the location, size and state of maintenance of the Property and Land, the state of the Other Assets and the Valuation Report (as defined below).
- 4.3 The Purchaser had commissioned Knight Frank Chartered (Thailand) Company Limited (“**Knight Frank**”), an independent third party valuer, to undertake a valuation of the Property and Land and the Other Assets. Knight Frank had valued the market value of the Property and Land and the Other Assets, at THB139,100,000 (equivalent to S\$5,912,783.26) in their valuation report dated 4 July 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.

4.4 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

- 4.5 The completion of the SPA, save for the Property and Land, is conditional upon:
- (a) the warranties set out in the SPA remaining true and correct in all material respects;
 - (b) completion of transfer of BOI certificate from the Vendor to the Purchaser;

- (c) the shareholding restriction under the BOI certificate having been removed such that the Purchaser shall be able to hold shares up to 100%;
- (d) the BOI or the Industrial Estate Authority of Thailand (“**IEAT**”) granting the permission for the Purchaser to own land for the purposes of carrying out the business in Thailand whether by way of revising the granted BOI certificate, IEAT’s permission letter or otherwise;
- (e) the consent having been obtained for the transfer of ownership of the Property and Land and the Other Assets from the Vendor and/or KT Bank, as the case may be, to the Purchaser;
- (f) the completion of release of mortgage over the Other Assets from KT Bank to the Purchaser;
- (g) the completion of the transfer of the Property and Land from the Vendor to the Purchaser at the competent land department and such other governmental and/or regulatory authorities as may be required; and
- (h) the termination of the sub-lease agreement between the Vendor and the Purchaser;
- (i) all licenses and permits under the Vendor’s name having been transferred to the Purchaser,

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

Completion

- 4.6 Completion of the SPA shall take place no later than five (5) business days after fulfilment of the Conditions Precedent. During Completion, titles to the Other Assets will be transferred to the Purchaser and a land transfer document in relation to the Property and Land entered into between KT Bank and the Purchaser shall be lodged with the relevant land authority in Thailand.
- 4.7 In the event that the completion date is delayed beyond 8 October 2018 due to no fault of either party, both parties thereto shall work together to discuss and negotiate with KT Bank to ensure that the Consideration shall remain the same and not subject to any increase imposed by KT Bank. In the event that completion does not take place by 31 December 2018, the SPA shall automatically terminate.

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	5.77% ⁽²⁾
(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 machinery and land where no operating profits were attributable to the same.
- (2) The market capitalisation of the Company was approximately S\$103,102,500 determined by multiplying the 349,500,000 shares in issue as at this date, by the weighted average price of the Company's shares of S\$0.295 per share based on trades done on the Mainboard on 3 October 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 2017.

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 2017, 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\$)	131,885,000	131,885,000 ⁽¹⁾
Number of shares ⁽²⁾	349,500,000	349,500,000
Consolidated NTA per share attributable to shareholders (Singapore cents)	37.74	37.74

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 2016, 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\$)	10,707,000	10,330,242 ⁽¹⁾
Weighted average number of shares ²	349,500,000	349,500,000
Consolidated earnings/(loss) per	3.06	2.95

share (Singapore cents)

Notes:

- (1) The decrease in consolidated profit after taxation and minority interests is due to depreciation of the Property and Land by S\$86,856.84 and depreciation of the Other Assets by S\$289,900.66, 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 and the Purchaser).

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

4 October 2018