

SINJIA LAND LIMITED
(Incorporated in Singapore on 26 February 2004)
(Company Registration Number 200402180C)

**COLLABORATION ARRANGEMENT IN RELATION TO THE
BUSINESS OF PROCESS INNOVATION TECHNOLOGY PTE LTD**

The Board of Directors (the “**Board**”) of Sinjia Land Limited (the “**Company**”) refers to the queries raised by the Singapore Exchange Securities Trading Limited (“**SGX**”) in connection with the Company’s announcement dated 1 August 2013 (the “**Announcement**”) on the collaboration agreement entered into between Process Innovation Technology Pte Ltd (“**PIT**”) and PinnovationTechnologies Pte. Ltd. (the “**Manager**” or “**Pinnovation**”).

Unless otherwise defined, all capitalized terms used herein shall bear the same meanings as ascribed to them in the Announcement.

SGX Query

(1) Details on the directors and shareholders as well as the principal business of Pinnovation;

Company’s Response

The Director and shareholder of Pinnovation is Mr. Tan Thiam Hee.

Mr. Tan has more than 15 years of experience from various industries and held directorships in a few public listed companies. He has previously worked as an auditor with various international public accounting firms.

Mr. Tan has a Master of Business Administration in International Business and a Bachelor of Accountancy (Merit) from the Nanyang Technological University of Singapore. He is also a Fellow of the Institute of Certified Public Accountant of Singapore and CPA Australia, a member of the Singapore Institute of Directors and a Graduate member of the Australian Institute of Company Directors.

Mr. Tan resigned as Managing Director and Chief Executive of Koon Holdings Limited on 31 July 2013. Pinnovation was established by Mr. Tan to enter into the Collaboration Agreement as the “Manager” to carry on the business of the precision polymeric die-cutting of foams and other materials. Due to his varied industrial experience, the focus will be to expand the Business (which currently applies mainly on office automation related products) into other industrial applications.

SGX Query

(2) What are the factors taken into consideration by the Board in selecting Pinnovation;

Company’s Response

The Manager has proposed new ideas for the Business as mentioned above and offer the cash/working capital requirements to undertake other business opportunities for the expansion of the Business into other industrial products (besides the current traditional office automation related products).

SGX Query

(3) Provide more details on the Board's assessment of how the appointment of Pinnovation as a Manager of the Company's business of precision polymeric die-cutting of foams and other materials (the "Business") would be in the interest of the Group as compared to the Group operating the Business directly.

Company's Response

The Board views Pinnovation more as a partner than a manager and the key points that were taken into account by the Company in the appointment of Pinnovation were:

- Contribution of ideas to turn the business around with focus on other industrial applications;
- Contribution of ideas on how to turnaround the China business which may include the sale of such business;
- Pinnovation as part of the Collaboration to provide cash/working capital requirements;
- Apparent ability to be able to work with existing staff of PIT and integrate into other business opportunities.

As the Group had expressed the intention to explore property development business, the Collaboration will ensure that PIT receives a fixed return on its assets over the Term and will also allow the Company to focus its resources on the property development activities.

The Board notes that the polymeric business units of the Company continue to operate in a challenging environment with rising cost pressures and sluggish demand forecast as its manufacturing partners continue to move out of Singapore. To mitigate such risk and exposure and minimize its reliance on the polymeric business, the Board believes that it is in the interest of the Company for PIT to enter into the Collaboration.

SGX Query

(4) What are the principal activities of Process Innovation Pte Ltd? What is the contribution of the Business to Process Innovation Pte Ltd's revenue, gross profits, profits before taxation and net assets for the past 3 financial years?

Company's Response

The principal activities of PIT consist of the precision polymeric die-cutting of foams and other materials. PIT also owns 100% of Process Innovation Technology (Suzhou) Co. Ltd. ("PIL") which carries out the same business as PIT but only in China.

The table below show the breakdown of financial data for the past three financial years of 2010, 2011 and 2012.

<u>Consolidated Accounts of Process Innovation Technology Pte Ltd</u>			
<i>(S\$'000)</i>	<i>FY2010</i>	<i>FY2011</i>	<i>FY2012</i>
<i>Revenue</i>	9,028	8,752	7,543
<i>Gross Profit</i>	3,295	2,909	2,291
<i>Profit before Taxation</i>	1,615	1,158	364
<i>Net Assets</i>	8,196	6,786	5,660

The PIL business is loss making due to the reduction in business arising from the decision of a major customer to relocate outside China. The PIT business continues to operate in a challenging environment with rising cost pressures and sluggish demand forecast as more of its manufacturing partners move out of Singapore.

SGX Query

(5) Please provide the breakdown of contributions of the Process Innovation Pte Ltd to the Group's revenue, gross profits, profits before taxation and net assets for the past 3 financial years.

Company's Response

<u>Sinjia Land Limited (f.k.s HLN Technologies Limited)</u>			
<i>(S\$'000)</i>	FY2010	FY2011	FY2012
Revenue	23,579	24,847	23,644
Gross Profit	9,107	8,512	7,590
Profit before Taxation	1,350	2,473	1,320
Net Assets	30,503	32,462	32,778
<u>Contributions of Consolidated Process Innovation Technology Pte Ltd to the Group</u>			
%	FY2010	FY2011	FY2012
Revenue	38%	35%	32%
Gross Profit	36%	34%	30%
Profit before Taxation	120%	47%	28%
Net Assets	27%	21%	17%

SGX Query

(6) Under the collaboration agreement which is for a term of 2 years (the "Term"), the Manager is granted the right to use, amongst others, to use the Group's intellectual property rights, operate the plant and equipment, access and maintain the books and records. Please address how the interests of the Group would be safeguarded under the arrangement;

Company's Response

Pursuant to the Agreement, the Manager has covenanted and undertaken to PIT that during the Term, the Manager:

- (a) shall carry on the Business in its ordinary course, in line with past practices and policies and in compliance with its permits and licences and all applicable laws and regulations;

- (b) shall use reasonable efforts to preserve the relationships with the customers, suppliers, distributors and others having dealings with PIT in relation to the Business, to the end that the goodwill and on-going dealings will be unimpaired, maintain the services of the employees, and keep in good working order the properties and assets of the Business (save for ordinary wear and tear); and
- (c) shall maintain the books and records in relation to the Business, ensure that they contain true and complete records of all matters required to be dealt with therein, and prepare and file or deliver to the relevant authorities all such returns, resolutions and other documents if required to do so.

SGX Query

(7) What are the independent checks on (i) the conduct of the Manager pursuant to the collaboration agreement and (ii) performance of the Business during the Term, so as to safeguard the Group's interest in the Business and the relevant assets of the Business?

Company's Response

Stamford Law Corporation was engaged to ensure that the Agreement provide the necessary terms and conditions to safeguard PIT's interest in the Business and PIT's continued ownership of the relevant assets.

During the Term, Mr. Ng, the Company's Executive Director and Acting Chief Operating Officer will continue to monitor the commercial aspects and operational performance of the Manager and undertake the commercial due diligence of the other potential opportunities proposed by the Manager.

Peter Tan, the Company's Chief Financial Officer will monitor the financial performance and due diligence on any new proposal.

Regardless of the performance of the Manager, PIT shall receive a fixed return on its assets without having to fund any new capital investment required for the new business opportunities.

SGX Query

(8) What are the factors taken into consideration by the Board in limiting the Manager's liability to only S\$100,000;

Company's Response

As stated in the Announcement, PIT and the Manager have agreed that all profits and receipts, and all losses and outgoings, accrued and payable in respect of the Business during the Term shall belong to and be for the account of the Manager. To this extent, the liability of the Manager is unlimited.

In addition to the foregoing, the Manager has also agreed that it shall during the Term indemnify and pay PIT for any losses, damages, claims, proceedings, actions, costs and expenses suffered or incurred by PIT, pursuant to the materialisation of any contingent liabilities of the Business which are already in existence as at the commencement of the Term. With regard to such contingent liabilities of the Business, the indemnity provided by the Manager is limited to S\$100,000.

SGX Query

(9) What happens to the Business after the expiry of the Term;

Company's Response

The Collaboration shall terminate at the expiry of the Term, upon which (i) all the management rights to the Business which was granted to the Manager under the Collaboration shall terminate, and (ii) all profits and receipts, and all losses and outgoings, accrued and payable in respect of the Business shall belong to and be for the account of PIT.

SGX Query

(10) What are the salient terms for the termination?

Company's Response

The Manager may, prior to the end of the Term, terminate the Collaboration:

- (a) without reason by giving at least three (3) months' notice in writing to PIT; or*
- (b) with immediate effect by giving notice in writing to PIT, if (i) PIT is in breach of the Agreement and fails to remedy the breach within 10 business days after being informed, (ii) PIT becomes insolvent or enters into any composition or arrangement with its creditors, or (iii) a liquidator, receiver, judicial manager or similar officer is appointed to PIT or any of its assets.*

PIT may, prior to the end of the Term, terminate the Collaboration:

- (c) without reason by giving at least three (3) months' notice in writing to the Manager; or*
- (d) with immediate effect by giving notice in writing to the Manager, if (i) the Manager is in breach of the Agreement and fails to remedy the breach within 10 business days after being informed, (ii) the Manager becomes insolvent or enters into any composition or arrangement with its creditors, or (iii) a liquidator, receiver, judicial manager or similar officer is appointed to the Manager or any of its assets.*

In the event that the Collaboration is terminated pursuant to sub-paragraphs (a) and (d), the Manager shall be liable to pay PIT (i) the entire Fixed Return and (ii) an amount equivalent to the net profits after tax attributable to the Business for the financial year ended 31 December 2008.

In the event that the Collaboration is terminated pursuant to sub-paragraphs (b) and (c), the Manager shall be liable to pay PIT such proportion of the Fixed Return, calculated on a pro-rata basis for the period up to the date of termination of the Collaboration.

SGX Query

(11) What are the factors taken into consideration by the Company in determining (i) the fixed returns and (ii) the additional amount of equivalent to 50% of the aggregate net profits after taxation attributable to the Business for the Term benchmarking against twice the net profits after tax attributable to the Business for the financial year ended 31 December 2008?

Company's Response

In determining the Fixed Return, the Board has reviewed PIT's past three years' performance and noted that (i) the revenue and profits of the business in China is declining, and (ii) whilst the revenue and profit of the Singapore contribution remain relatively stable, the potential of the return on assets achieving the record performance in the financial year ended 31 December 2008 ("FY2008") would be a challenge. Moreover, the plant and equipment are ageing and new technologies are emerging. As a result, the Board gave careful consideration to the opportunity cost to the Company and whether the Company should further invest in its manufacturing business units, which include PIT.

Due to the increased competition in the industry which has resulted in sluggish demand forecast for the coming years and more of PIT's manufacturing partners moving out of Singapore and so are starting to move out of China, the Board decided that it was in the best interest of the Company and its shareholders to enter into the Collaboration.

*However, as stated in the Announcement, in the event that the aggregate net profits after tax attributable to the Business for the Term (the "**Relevant NPAT**") is equal to or is more than twice the net profit after tax attributable to the Business for FY2008, PIT shall be entitled to 50% of the Relevant NPAT (in addition to the Fixed Return). As the net profit after tax attributable to the Business for FY2008 is in respect of a one-year period, but the Collaboration is for the Term which is a two-year period, the target to share in the Relevant NPAT was therefore set at twice the net profit after tax for FY2008 (being equivalent to a total of S\$5.4 million).*

By Order of the Board

Cheong Weixiong
Group Chief Executive Officer
21 August 2013