

SINJIA LAND LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200402180C)

RESPONSE TO SGX-ST QUERIES ON THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF BINEX SINGAPORE (PTE. LTD.)

Unless otherwise defined, all capitalised terms used herein shall bear the same meanings ascribed to them in the Company's announcement dated 19 November 2021 and 31 January 2022.

The Board of Directors (the “**Board**” or “**Directors**”) of Sinjia Land Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) is pleased to set out its responses to the queries raised by the Singapore Exchange Regulation on the announcement in relation to the announcement on 03 February 2022 with respect to the proposed acquisition of the entire issued and paid-up share capital of BINEX Singapore (Pte. Ltd.).

Query 1

It is stated that the purchase consideration would be equivalent to 80% of valuation of the Target (“Actual Valuation”) conducted by an independent qualified valuer (“IQV”)

- a. Who is the IQV and who will be appointing the IQV?
- b. The Target was only incorporated on 9 September 2021 and has not recorded any revenue. Based on the “pro forma unaudited financial statements” for the financial period, the Target had a net asset value of S\$900,007.50 as at 31 December 2021. What did the Board consider in arriving at an indicative valuation of S\$2 billion?
- c. Please provide details on factors considered by the Board in relation to the Proposed Acquisition where the consideration is at a premium of 2,222% over the Target's net asset value. Please elaborate on why this is in the best interest of the Company and its shareholders?

Company response

- a. IQV is EY Corporate Advisors Pte. Ltd., appointed by the Company.
- b. The S\$2 billion figure is a minimum consideration which the Target hopes to attain, based on a preliminary valuation carried out by an independent qualified valuer in July 2021. The independent qualified valuer's valuation was derived using the discounted cash flow method with data provided by BINEX, along with the present value of the terminal value, based on the exit multiple method. Crucially, it should be noted that the valuation of the Target was calculated to be in the range of approximately US\$2.515 billion to US\$3.148 billion.

Notwithstanding the independent qualified valuer's involvement in respect of BINEX, for the purpose of this RTO, EY Corporate Advisors Pte. Ltd. (“EY”) will be appointed as the independent qualified valuer to determine the value of the Target for the Proposed Acquisition, and as such, EY's valuation report will be more relevant and take precedence over the earlier independent qualified valuer's preliminary report. This is provided for in the Amended and Restated SPA, as the consideration may be adjusted based on the Actual Valuation determined by EY. Based on initial estimates, the valuation process to be carried out by EY will take approximately 12 weeks and will be extensive in scope, covering the commercial and business viability, industry

competitiveness, and technological and cost effectiveness of the Target's business as currently carried out. The earnings assumptions provided by the Target will also be extensively evaluated.

- c. The Board considered that the Proposed Acquisition would be in the best interest of the Company and its shareholders due to the consideration being negotiated at a significant discount to its fair value based on the valuation conducted by an independent valuer.

Query 2

The Target is in the business of the following: (i) cultivation, harvesting and selling of sorghum; (ii) production, sales and licensing of biomethanol from sorghum; (iii) production, sales and licensing of bio-pellets from sorghum; (iv) acquisition, purchase and sale of carbon credits derived from the absorption of carbon dioxide by sorghum; and (v) other ancillary businesses related to the aforementioned.

- a. Please elaborate on the types of revenue expected from the Target's business.
- b. What due diligence will the Company be conducting on the Target and its businesses?
- c. Does the Board have experience in the Target's business?
- d. Who introduced the Target to the Company?

Company response

- a. The streams of revenue will come from:
 - Sale of sorghum fruits for human or animal consumption
 - Sale of pellets to coal-fired power plants and steel mills
 - Sale of biomethanol to be used as a substitute to fossil fuel for transportation vehicles and vessels or as the fuel for fuel cells
 - Sale of biomethanol as hydrogen carrier to be used in direct methanol fuel cells
 - Sale of carbon credits derived from planting sorghum
- b. The Company will engage relevant professionals to conduct the financial, legal, operational and any other due diligence on the Target and its businesses.
- c. The Company do not have the direct related expertise in the proposed new business at this movement but will subsequently engage relevant professionals to strengthen the key management team. However, if Proposed Acquisition being undertaken and completed, the business operation will be run by their management.
- d. The Company was introduced to the Vendors through Mr Atsushi Matusda, CFO of 3DOM Inc.

Query 3

In connection with the Proposed Acquisition, the Target shall be entitled to issue to third party investor(s), at its discretion, exchangeable loans with option to exchange the loan for shares in the Company.

- a. Have the third-party investors been identified?
- b. Please explain the rationale for such proposed transaction.
- c. What is the implication should the proposed RTO not proceed to completion?

Company response

- a. The process of securing the investors is currently in progress.
- b. The fund raising is for the purpose of raising working capital to fund the ongoing operations, including the first sorghum cultivation project in Peru.
- c. The exchangeable loans will not be converted into shares in the Company should the RTO not be completed, and this will have no bearing on the Company.

Query 4

It is stated that all fees, costs and expenses incurred in connection with the RTO (the "RTO Costs") will be paid by the Company.

- a. What is the nature and quantum of RTO Costs expected to be incurred? Is there a cap for such RTO Costs? Would the Company have the visibility and ability to approve RTO Costs to be incurred? Does the Company have the resources to bear the RTO costs?
- b. What is the market practice with regards to parties bearing RTO related expenses?

Company response

- a. The nature of the RTO costs would be the professional fees including financial advisers, sponsor, legal advisers, valuers and other related to the Proposed Acquisition; and miscellaneous expenses. The estimated RTO cost would be approximately S\$2.0 million.

As mentioned in the Company's announcement dated 31 January 2022, that the parties agree that all fees, costs and expenses incurred in connection with the RTO will be paid by the Company. If the Company is unable to satisfy its payment obligations by reason of insufficient funds, BINEX Inc. may extend to the Company a convertible loan on such terms to be agreed between the said parties.

- b. The market practice with regards to parties bearing RTO related expenses would be the acquirer.

Query 5

We refer to the Target's income statement for period ended 31 December 2021, where no revenue was recorded

- a. It was announced that the "Target was incorporated on 9 September 2021 and has since commenced operations". Please explain what operations have commenced. How long would it take for the Target to be revenue generating?
- b. What is the maturity period of sorghum crops? Where will the sorghum plants be cultivated? Who owns the land for planting the sorghum? How big is the piece(s) of land?
- c. What is the expected amount of sorghum that can be harvested annually assuming the plantation is fully operational?
- d. Does the Target have the facilities and equipment to produce biomethanol from sorghum?
- e. What is the experience and track record of the board and management team of the Target? How many people are running the operations currently?

Company response

- a. The first project is in Peru, where an initial 5,000 hectares of land has been secured for planting sorghum in 2022. There will be an option for an additional 25,000 hectares in subsequent years. The cultivation of the required seeds for the Peru farm are now ongoing in Australia. The project is expected to start generating revenue in late 2022 or early 2023.
- b. Sorghum plants take about 16 weeks to mature into a harvestable form. The first cultivation is in Peru (up to 30,000 hectares over 3-4 years), while other plots are currently being explored with parties in Australia and Brazil, with potential land sizes ranging between 5,000 and 500,000 hectares within about 5 years.
- c. The amount of sorghum that can be harvested annually is approximately 260 tonnes per hectare of land, which transforms into approximately 80 tonnes of pellets.
- d. The Target has technology to transform the sorghum stems and leaves into biogas which is then liquefied into bio methanol. Due to its efficient technology to produce zero carbon fuel, it is currently in negotiations with large trading houses and energy players to supply bio methanol or to enter into joint ventures for developing such fuel. Biomass gasification plants and biomethanol synthesis plants are now located in Japan which are owned by BINEX Inc., the majority holder of the Target. Also, the Target is discussing with engineering, procurement and construction (EPC) companies for establishing large-sized mass production biomass gasification plants and biomethanol synthesis plants.
- e. The board and management team come from the constituent shareholder entities 3DOM, BME and Mebius, which all have expertise in their respective areas since as early as 2006. The number of staffs in the Target is currently eight (8) and is planning to increase it to more than 30 by the end of 2022.

Query 6

We refer to the Target's balance sheet as at 31 December 2021, where "Prepayment – Seeds Mebius" amounted to S\$567,000. This amount is 55% of the Target's paid-up capital.

- a. What is the nature and breakdown of this prepayment? Who is the counterparty which Target made the prepayment to?
- b. What are "Seeds Mebius"? When will the seeds be delivered?
- c. What is the unit cost of "Seeds Mebius"? What is the estimated quantum / weight of such seeds for the \$567,000 prepayment made?
- d. What is the expected yield of crops from this amount of seeds purchased?

Company response

- a. The prepayment is solely as an initial payment for the sorghum seeds to be planted in Peru. The payee is Mebius Inc. that supplies the sorghum seeds.
- b. "Seeds Mebius" means the sorghum seeds to be supplied by Mebius. The delivery of the seeds is scheduled to be made in mid-August 2022 bound for Peru, with the estimated time of delivery by the end of September 2022.
- c. The unit price of sorghum seeds is a proprietary information and cannot be disclosed to the public. The sorghum seeds that will be sent to Peru are 40 tonnes.
- d. The expected yield of crops from the purchased seeds is approximately 1.3 million tonnes.

Query 7

What are the Board's plans for the Company's existing business?

Company response

The Company currently only have backpackers hostel business operation which the Board may consider to divest after the completion of the Proposed Acquisition as to concentrate on the new core business.

DIRECTORS' 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, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the 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 the announcement in its proper form and context.

By Order of the Board

Cheong Weixiong
Executive Director and Group Chief Executive Officer
05 February 2022

*This announcement has been reviewed by the Company's Sponsor, Evolve Capital Advisory Private Limited (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

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