

ABUNDANCE INTERNATIONAL LIMITED

(Incorporated in Singapore)
(Company Registration Number 197501572K)

ENTRY INTO JOINT VENTURE AGREEMENT AND PUT AND CALL OPTION AGREEMENT

1. INTRODUCTION

1.1. The board of directors of Abundance International Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) would like to announce that the Company has today entered into the following agreements:

1.1.1. a joint venture agreement (the “**JVA**”) with a Japanese incorporated company (the “**JV Partner**”) to incorporate and operate an Enterprise Wholly-Owned by Foreign Investor (the “**JV Company**”) in the People’s Republic of China (the “**PRC**”) (the “**Joint Venture**”), pursuant to which the JV Partner and the Company each hold 30% and 70% of the registered share capital of the JV Company respectively; and

1.1.2. a put and call option agreement (the “**PCOA**”) with Mr Shi Jiangang (Executive Chairman of the Company) (“**SJG**”) in respect of a put and call option over certain shares held by the Company representing 40% of the registered share capital of the JV Company at the time of incorporation (the “**Option Shares**”), pursuant to the grant by SJG of an interest-free loan of RMB2,400,000 (the “**Loan**”) to the Company, being the amount to be contributed for 40% of the registered share capital of the JV Company (the “**PCOA Transaction**”).

2. INFORMATION ON THE JOINT VENTURE

2.1. The JV Company shall be incorporated as a limited liability company under the laws of the PRC. Pursuant to the governing laws of the PRC, the business licence (the “**Business Licence**”) of the JV Company is subject to the approval of the State Administration for Industry and Commerce (the “**SAIC**”) of the PRC and the establishment date (the “**Establishment Date**”) of the JV Company shall be the approval date of the Business Licence issued by the SAIC.

2.2. The JV Company will principally be engaged in the provision of water treatment solutions using microbial and/or chemicals, particularly (but without limitation) to the chemical industry in the PRC.

2.3. The Joint Venture has a 10-year tenure starting from the incorporation date of the JV Company and may be extended upon the parties’ consent.

3. INFORMATION ON THE JV PARTNER

3.1. The JV Partner is a limited liability company incorporated under the laws of Japan. It is principally engaged in the business of providing water treatment solutions to chemical manufacturing companies in Japan.

3.2. The JV Partner is an independent third party and is not related to the Company or its directors or controlling shareholders (as defined in the Catalist Rules of the SGX-ST (the “**Listing Manual**”).

The JV Partner was introduced to the Company by the General Manager of the Company's subsidiary, Touen Japan Co., Ltd, Mr Jiang Jie. No referral fees will be payable by the Company to the referrer.

4. PRINCIPAL TERMS OF THE JVA

Investment and registered capital

- 4.1. At incorporation, the registered share capital of the JV Company will be RMB6,000,000, of which 70% shall be contributed by the Company, and the balance 30% shall be contributed by the JV Partner.
- 4.2. Pursuant to the JVA, the Company and the JV Partner shall make their remaining respective capital contributions as follows:
 - 4.2.1. the Company, its entire capital contribution amounting to RMB4,200,000 in cash within one month from the Establishment Date of the JV Company; and
 - 4.2.2. the JV Partner, the capital contribution equivalent to RMB100,000 in cash within one month from the Establishment Date of the JV Company, RMB50,000 in cash before 30 June 2019, RMB50,000 in cash before 30 June 2020, RMB50,000 in cash before 30 June 2021, RMB50,000 in cash before 30 June 2022 and its remaining capital contribution equivalent to RMB1,500,000 in cash within five years from the Establishment Date of the JV Company.
- 4.3. The respective contributions were determined based on arm's length negotiations between the Company and the JV Partner, and arrived at after taking into account the capital requirements of the JV Company and the fact that the JV Partner is contributing the technology and know-how required by the JV Company.

Obligations of the Joint Venture parties

- 4.4. Under the terms of the JVA, *inter alia*:
 - 4.4.1. the Company is responsible for developing a market for the JV Company's products; and
 - 4.4.2. the JV Partner is responsible for, *inter alia*, introducing the technologies and the microorganisms that the JV Company needs, providing all the technologies, technical documentation and technical standards and norms for the lab and cultivation of the relevant microorganisms. In addition, the JV Partner shall grant to the JV Company a sole and exclusive, royalty-free license to use all intellectual property rights and certain microorganisms required for its business within the territory of the PRC pursuant to the terms agreed in an intellectual property rights licence agreement with the JV Company.

Directors

- 4.5. The board of directors of the JV Company shall comprise five directors. The Company shall be entitled to nominate four directors, while the JV Partner shall be entitled to nominate one director. The chairman of the board of directors of the JV Company (who shall also be the legal representative of the JV Company) shall be designated by the Company. The vice-chairman of the board of directors of the JV Company shall be designated by the JV Partner.

Profit Distribution

- 4.6. The JV Company shall distribute its profits as follows:
- 4.6.1. the JV Company shall not distribute profits when its accumulated undistributed profits are less than RMB 1,500,000;
 - 4.6.2. the JV Company may make initial profits distribution when its accumulated undistributed profits are more than RMB 1,500,000. The initial profits distribution shall meet the following conditions:
 - 4.6.2.1. the profits to be distributed should be more than RMB1,500,000;
 - 4.6.2.2. within the total distributed profits, the first RMB1,500,000 should only be paid to the JV Partner; and
 - 4.6.2.3. the remaining profits shall be distributed to the Company and the JV Partner in proportion to their respective then existing shareholding percentages; and
 - 4.6.3. subsequent profits distribution shall be distributed to the Company and the JV Partner in proportion to their respective then existing shareholding percentages.

5. PRINCIPAL TERMS OF THE PCOA

Purchase Price of the Option Shares

- 5.1. Pursuant to the PCOA, the Company has granted a put option to SJG and SJG has granted a call option to the Company, relating to the sale and purchase of the Option Shares. The put option (the “**Put Option**”) and call option (the “**Call Option**”) may be exercisable for a period of four years from the date of the PCOA (the “**Option Period**”) subject to the terms and conditions of the PCOA.
- 5.2. The Put Option and the Call Option in respect of the Option Shares can be exercised at an option price equivalent to a sum of RMB2,400,000 less any profits distribution in respect of the Option Shares received by the Company up to the date of completion of the PCOA (or such other amount as may be agreed in writing (the “**Option Price**”). The Option Price is equivalent to the amount paid by the Company for the Option Shares less any profit distribution which the Company may have received.

Payment of the Option Price

- 5.3. The Option Price shall be payable by SJG to the Company by the extinguishing of the Loan granted as set out below. Any amount that remains outstanding thereafter shall be payable by the Company, in cash to SJG on or before completion of the PCOA

Loan

- 5.4. SJG shall grant the Loan to the Company and shall ensure that the loan amount of RMB2,400,000 is received by the Company within 10 business days from the date of the PCOA.

- 5.5. The Loan shall be interest free and any outstanding amount not extinguished in accordance with payment of the Option Price above, shall be repaid by the Company to SJG in cash within 10 business days from the expiry of the Option Period.
- 5.6. SJG further undertakes to use reasonable endeavours to support the growth of the JV Company's business in the PRC using, *inter alia*, his business connections and leveraging on his existing infrastructure and manufacturing assets.

6. RATIONALE FOR THE JOINT VENTURE AND PCOA TRANSACTION

- 6.1. As previously announced, the Company is constantly exploring and evaluating chemical related investment opportunities. Given the recent emphasis placed by the PRC government on environmental protection, the Company is optimistic about the potential of the water treatment industry in the PRC. The Company is targeting factories producing chemicals as the pollution level for waste water is typically higher than normal municipal waste water and therefore, harder to treat. With the expertise of the JV Partner, the Company is confident of providing a superior water treatment solution at a lower cost as compared to other existing water treatment service providers in the PRC. The parties have conducted preliminary testing as well as market research on the JV Company's technology and is of the opinion that the JV Company's technology can provide the same water treatment services at a lower cost.
- 6.2. Leveraging on the strong network, expertise and existing infrastructure in the PRC of Jiangsu Feixiang Chemical Co., Ltd and its related companies (the "**Feixiang Group**"), a sizeable chemical group controlled by SJG, the Company was able to undertake this Joint Venture with a relatively small investment amount. While the initial discussions envisaged the Feixiang Group taking a 40% stake in the JV Company alongside the JV Partner and the Company, pursuant to further discussions between the parties and taking into consideration the JV Partner's preference to keep the transaction simple and to deal with a single party during the initial operating period of the JV Company, the parties have agreed that the Company will take a 70% stake in the JV Company and sign the PCOA with SJG.

7. INTERESTED PERSON TRANSACTION

Chapter 9 of the Listing Manual

- 7.1. Under Rule 904(4)(a) of the Listing Manual, in the case of a company, an "interested person" means a director, chief executive officer or controlling shareholder of the Company, or an associate of any such director, chief executive officer, or controlling shareholder. Under the Listing Manual, an "associate", in the case of a company, in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual), means, *inter alia*, his immediate family and any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more.
- 7.2. As at the date of this announcement, SJG is the Executive Chairman and director of the Company. Further, SJG is a "controlling shareholder" of the Company as he has an interest of more than 15% in the issued share capital of the Company. Accordingly, for the purposes of Chapter 9 of the Listing Manual, SJG would be considered an "interested person" vis-à-vis the Company, which is regarded as an "entity at risk" for these purposes.
- 7.3. However, as the Loan is interest free, the value at risk is zero and therefore the PCOA Transaction

is not an interested person transaction pursuant to Rule 906(2) of the Listing Manual. In addition, the maximum Option Price of RMB2,400,000 in the PCOA is less than 3% of the Group's latest audited net tangible assets. There are no other interested persons transaction with SJG or his associates for the current financial year up to the date of this announcement which are above S\$100,000 other than transactions covered under the general interested persons transaction mandate obtained by the Company on 26 April 2017.

8. SOURCE OF FUNDS

- 8.1. The Joint Venture will be funded by the Loan and internal funds and is not expected to have any material impact to the Group's net tangible assets and earnings per share of the Group for the current financial year ending 31 December 2018.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

- 9.1. To the best knowledge of the directors, none of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Joint Venture (other than through their respective shareholding interests in the Company, if any) other than as disclosed in this announcement.

10. SERVICE CONTRACT

- 10.1. No person is proposed to be appointed as a director of the Company, and no service contracts will be entered into by the Company in connection with the Joint Venture and the PCOA Transaction.

11. DOCUMENT AVAILABLE FOR INSPECTION

- 11.1. Shareholders should note that copies of the JVA and PCOA will be available for inspection during normal business hours at the Company's registered office at 9 Joo Koon Circle Singapore 629041 for a period of three (3) months from the date of this announcement.

12. FURTHER ANNOUNCEMENT AND UPDATE

- 12.1. The Company will make further announcements on the Joint Venture and PCOA Transaction as appropriate or when there are further developments on the same.

By Order of the Board

Sam Kok Yin
Managing Director

14 March 2018

Note:

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Stamford Corporate Services Pte Ltd, for compliance with the relevant rules of the Exchange. The Company's Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

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