

ABUNDANCE INTERNATIONAL LIMITED

(Incorporated in Singapore)

(Company Registration Number 197501572K)

RESPONSES TO QUERIES FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

The Board of Directors (the “**Board**”) of Abundance International Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce the following in response to the queries raised by the Securities Investors Association (Singapore) (“**SIAS**”) with respect to the Company’s annual report for the financial year ended 31 December (“**FY**”) 2023 (the “**AR2023**”). Unless otherwise defined, capitalised terms used herein shall have the meanings ascribed to them in the AR2023.

SIAS Query 1

On 27 March 2024, the company announced the cessation of chairman and executive director, Mr Shi Jiangang, in order for him to “*devote more time to his other business commitments*”. It was noted that Mr Shi Jiangang remains the largest shareholder of the company, with deemed interest of 476.8 million shares, and will serve as a consultant to advise and assist the group.

- (i) **Can the company provide more details on the abrupt departure of Mr Shi Jiangang? Can the board offer assurance to shareholders regarding any concerns surrounding his departure as executive director and chairman?**

Company’s response

The Company’s nominating committee (“**NC**”) has been considering the board composition issue (i.e., non-compliance with the Code recommendation) for some time now. The cessation of Mr Shi Jiangang (“**Mr Shi**”) as chairman and executive director has been on the horizon and is not abrupt. As announced on 27 March 2024, Mr Shi has stepped down as chairman and executive director to facilitate compliance with the Code of Corporate Governance (the “**Code**”). Subsequent to this, Independent Directors will make up a majority of the Board as recommended by the Code. Mr Shi still has a deemed interest in 476,811,412 shares held by his daughter and remains vested in the Company and its future. Also, Mr Shi will remain as Consultant to the Group to advise and assist with the Group’s business. This would ensure that there will be continuity and minimal disruption to the day-to-day operations and long term strategies of the Group.

- (ii) **How are the group’s strategic growth plans affected by the cessation of the executive chairman?**

Company’s response

Our Group’s strategic growth plans remain unchanged. Mr Shi remains readily available to the Board in his capacity as Consultant to the Group should there be a need for any discussions or should his advice or assistance be needed.

- (iii) **In addition, did the chairman’s service agreement include a typical 3-6 month notice period to ensure a smooth transition and the handover of the director’s duties and responsibilities?**

Company’s response

The chairman’s service agreement includes a 6 month notice period. The Company and Mr Shi have mutually agreed to waive the 6 month notice period as Mr Shi will remain as Consultant to the Group to advise and assist with the Group’s business. He remains readily available to the Board in that capacity should there be a need for any discussions or should his advice or assistance be needed. Therefore, the Company envisages a smooth transition and minimal disruptions to the day-to-day operations and long term strategies of the Group.

- (iv) **What progress has been made in appointing a new chairman and what criteria is the nominating committee (NC) using in the search and nominating process?**

Company's response

Presently, we do not think there is a need to appoint a new chairman. Our Managing Director, Mr Sam Kok Yin ("Mr Sam"), and Executive Director, Mr Jiang Hao, oversee our daily operations. Mr Sam will also chair any meetings of the Board where necessary. As such, the typical function of a chairman will be jointly fulfilled by both Mr Sam and Mr Jiang Hao.

Other than the resignation of Mr Shi Jiangang, three other directors, namely Mr Chan Cher Boon, Mr Francis Yau Thiam Hwa and Mr Tham Hock Chee also stepped down as independent directors of the company with effect from 1 February 2024, with three new independent directors being appointed.

- (v) **Can the NC help shareholders understand if the multiple resignations have disrupted board operations and led to a loss of institutional knowledge?**

Company's response

The 3 Independent Directors have stepped down in view of the SGX rule limiting the tenure of independent directors to 9 years. The new Independent Directors are experienced professionals. Our management had introduced them to our businesses during the last board meeting and will continue to assist them in getting to know our businesses better. Our former Independent Directors had also expressed their willingness to be contacted in the event where the new Independent Directors have any queries.

- (vi) **Will the NC be putting in place proactive measures to ensure a seamless and forward-looking board renewal process in the future?**

Company's response

Like all responsible board committees, the NC will place great emphasis on the board renewal process in the best interest of the Company and its shareholders. Further details on the Company's board renewal process can be found on pages 21 to 24 of the AR2023.

SIAS Query 2

Loss after tax amounted to US\$(0.3) million in FY2023 as compared to profit after tax of US\$1.4 million in FY2022.

The weaker performance was due mainly to lower chemical product margin spreads, inventory written off, impairment of trade and other receivables, offset by lower freight and handling charges, storage fees and tax expenses.

Orient-Salt Chemicals (OSC Group), which carries out the group's core chemical trading business, achieved revenue and profit after tax of US\$622.9 million and US\$28,000 respectively.

- (i) **Could management provide shareholders with a reminder of OSC's value proposition? How does OSC generate and capture value with its business model?**

Company's response

OSC Group conducts our Group's core chemicals trading business. The management and operation team members have many years of experience in this business and a good business network. Over the years, we have built a good rapport with our customers, suppliers and bankers. OSC Group's business has proven to be resilient even during the years when Covid was crippling the world economy. Chemicals remain a key commodity used in many industries. We remain confident of OSC Group's prospects.

- (ii) **What are the management's key priorities and strategies in FY2024 to steer the group back to profitability**

Company's response

We will continue our emphasis on balancing making profits with risk taking. Risk management has always been an integral part of our chemicals trading business and will continue to be so. With the support from our customers, suppliers and bankers, we are confident of our prospects.

- (iii) **Considering the business's narrow profit margins, what were the reasons that led to an inventory write-off amounting to US\$464,000?**

Company's response

The inventory write-off relates to the lost goods as announced by the Company via SGXNet on 22 December 2023.

- (iv) **In addition, can management disclose the identity of the director for whom the group procured a keyman insurance policy? How does this life insurance policy, which had a premium of US\$1.5 million, align with the group's strategic objectives?**

Company's response

The insured person is Mr Sam but the beneficiary (for any payouts) is the Group. As part of a packaged deal, the policy will be pledged to a bank for additional trade lines to be used by the chemical trading business. This will improve the working capital of OSC Group and allow them to take up additional trades.

SIAS Query 3

The valuation of financial asset at fair value through other comprehensive income (Shanghai Sunrise Polymer Material Co. Ltd. ("Sunrise")) is a key audit matter (KAM) highlighted by the independent auditors in their report on the audit of the financial statements. Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM, as at 31 December 2023, the investment in Sunrise is carried at US\$8.09 million based on fair value measurement carried out by an independent professional valuer.

The group holds 12.74% in the equity of Sunrise which is incorporated in the PRC. Sunrise specialises in the production of specialty chemicals used mainly for construction, surface care, oxythelen derivatives and also in the production of lithium batteries. Sunrise together with its subsidiaries recorded a profit of US\$1.2 million for FY2023. Despite challenges faced due to an oversupply of products for construction use, the sales of lithium battery auxiliary chemical products have grown steadily and contributed to Sunrise's profit.

- (i) **Which independent professional valuer was engaged for the valuation of Sunrise, and what criteria guided their selection process?**

Company's response

Savills Valuation and Professional Services (S) Pte. Ltd ("Savills") was engaged for the valuation of Sunrise. The valuation approach was accordance with IFRS 13 *Fair Value Measurement*. Savills has also considered International Valuation Standards published on 31 July 2021, and AICPA Accounting and Valuation Guide, *Valuation of Portfolio Company Investments of Venture Capital and Private Equity Funds and Other Investment Companies* published on 1 June 2019 in their valuation analysis.

Savills has adopted the Guideline Publicly-Traded Comparable method under the market approach for the valuation analysis. In particular, they looked at the enterprise value-to-revenue multiple of comparable companies. The market approach is adopted for the following reasons:

- It is frequently applied in the valuation of businesses and business interest; and
- There are publicly-traded companies that operate similar businesses as Sunrise.

(ii) What was the valuation methodology used?

Company's response

As disclosed on page 77 of AR2023 and as mentioned above, the valuation methodology used was the Guideline Publicly-Traded Comparable Method.

(iii) What is the potential size of the opportunity in the lithium battery auxiliary chemical business for Sunrise?

Company's response

In our management's opinion, based on the information available to them as at the date hereof, the lithium battery auxiliary chemical business for Sunrise has potential as it scales up. This is reflected in Sunrise's profit after tax of US1.2 million for FY2023.

(iv) Are there plans to monetise the group's investment in Sunrise in the near future?

Company's response

If a suitable opportunity arises, we are open to considering monetizing our investment in Sunrise. Naturally, as part of good governance, this will be subject to discussion and decision at the Board level.

(v) Separately, what are the plans for Zhangjiagang Orient-hill Microorganisms Technology Co., Ltd. ("Orient-hill") following its deconsolidation by the group? Formerly a 70%-owned subsidiary, the company ceased to have control over Orient-hill which was deconsolidated on 29 May 2023 and became an 30%-owned associate of the company and the group.

Company's response

Orient-hill is in the water treatment business, utilising microorganisms to control the sludge in waste water so that the sludge does not have to be removed and buried. However, its performance has been below initial expectations. During the Covid years, our Japanese partner has faced difficulties in travelling to China to provide technical assistance. In addition, our sales team faced difficulties in promoting this solution to the water treatment plants in China which are largely state-owned. We have since changed our target customer base to MNCs operating in China and privately-owned farming enterprises. We will continue to close monitor Orient-hill's performance in the current FY.

By Order of the Board

Sam Kok Yin
Managing Director

22 April 2024

This document has been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST 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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