ABUNDANCE INTERNATIONAL LIMITED
(Incorporated in Singapore)
(Company Registration Number 197501572K)

RESPONSES TO SIAS' QUESTIONS ON ABUNDANCE'S ANNUAL REPORT FY2018

Abundance International Limited ("**Abundance**" or the "**Company**", and together with its subsidiaries, the "**Group**") has received questions from the Securities Investors Association (Singapore) relating to its Annual Report for the financial year ended 31 December ("**FY**") 2018 as part of their initiative to improve the quality of annual general meetings. Our responses to the questions are as follows.

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<tr><td>1.</td><td>Would the board/management provide shareholders with better clarity on the main trading business? Specifically:</td></tr>
<tr><td>(i)</td><td>Would management help shareholders understand the reason(s) for the drop in the revenue of the chemical trading business? Revenue in 2017 was US$524 million, slipping 21% to $413 million in FY2018.

Abundance Reply:

As announced in our audited full year financial statements and dividend announcement on 26 February 2019, the Group's revenue decreased by 21.1% from US$524.0 million to US$413.4 million due to the cessation of trading in certain types of chemical supplies. These are the trades with typically lower margins. As a result, the gross profit margin has slightly improved from 3.4% in FY2017 to 3.7% in FY2018.</td></tr>
<tr><td>(ii)</td><td>To help shareholders better understand the business, can the board articulate the group's business model and identify the key value drivers?

Abundance Reply:

The Group has three business segments, namely, Chemicals, Printing Related and Investments. Since the business diversification undertaken by the Company in 2015, we have been focusing more on the Chemicals business segment.

<u>Chemical Business</u>

The Group's chemical trading business is conducted via our subsidiary, Orient-Salt Chemicals Pte. Ltd. ("OSC Singapore"), and its subsidiaries in the People's Republic of China (the "PRC") and Japan (collectively the "OSC Group"). The OSC Group adopts a trading and distribution model. The main focus continues to be on the trading of commodity chemicals. The OSC Group has consistently been profitable since it started operations. In FY2018, OSC Group's revenue was US$413.4 million, with profit after tax of US$1.4 million.

We will continue to explore and evaluate other chemical related investment opportunities.</td></tr>
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	On 14 March 2018, the Company announced that it had entered into a joint venture agreement with a Japanese incorporated company in relation to a new joint venture company, Zhangjiagang Orient-Hill Microorganisms Technology Co., Ltd (the "**JV Company**"). The JV Company has been established on 5 June 2018 and has commenced marketing to potential clients. On 13 March 2019, the Company announced that its wholly-owned subsidiary, Abundance Investments Pte. Ltd., had entered into a subscription agreement with 上海三瑞高分子材料股份有限公司 (Shanghai Sunrise Polymer Material Co., Ltd.) (the "**Target Company**") pursuant to which the Company will subscribe for new shares representing 18.18% of the enlarged share capital of the Target Company after completion. The Target Company specialises in the production of specialty chemicals used mainly for the construction industry, such as concrete admixtures, mortar admixtures, gypsum water reducing agents, floor care products and geotechnical engineering additives. Completion took place on 28 March 2019. **<u>Investment Business</u>** Starting with a small amount of US$0.15 million, the Group commenced its investment business under its wholly-owned subsidiary, Abundance Investments Pte. Ltd., which was incorporated on 1 September 2016. As at 31 December 2018, this portfolio consisting of cash and listed equities amounted to US$0.19 million. The Group will make appropriate investments as and when good opportunities come along and where its cash flow position allows. **<u>Printing Related Business</u>** As previously announced, the Group has ceased printing internally. The Group is currently exploring ways to adjust our business model. We hope to add an additional revenue and profit stream using our contacts in the printing industry.
(iii)	**How does the group capture its fair share of value for shareholders given that trading is highly competitive and commoditised? Would management help shareholders understand the core competencies of the group and of the senior management team?** **Abundance Reply:** Our Executive Director, Mr Jiang Hao, has many years of experience in chemicals trading. Mr Jiang Hao is currently the general manager of the OSC Group. He is assisted by a pool of strong sales and other personnel, many of whom have been working with him for many years. We believe that we can hold our own against other chemical traders due to our wide network of customers and suppliers, extensive experience, and our competent and loyal staff. In addition, Mr Shi Jiangang, our Executive Chairman, is also a veteran in the chemical industry in the PRC. He too, has extensive contacts in this industry and can assist in setting strategic directions for our chemical business. In addition, this allows the OSC Group to have beneficial collaborations with other chemical companies owned by Mr Shi Jiangang.

(iv)	**How much of the group's business is dependent on the controlling shareholder?** **Abundance Reply:** The three controlling shareholders of the Company with 72% of shareholding in total are the Chairman (Mr Shi Jiangang), the Managing Director (Mr Sam Kok Yin) and the Executive Director (Mr Jiang Hao) of the Company. The Group's business is dependent on the controlling shareholders to a certain extent, as some of the Group's joint ventures and collaborations within the chemicals industry were a result of introductions made by Mr Shi Jiangang. For the past few years, the Group also has to occasionally depend on financial support from the controlling shareholders. However, the OSC Group has been obtaining more bank lines and credit terms from suppliers. Therefore, its working capital situation has improved significantly and it is now less dependent on loans from the controlling shareholders. Operations-wise, the Group has other senior management staff in place who can, to a certain extent, ensure the Group's business can continue for the time being without the controlling shareholders, should the need arise.
(v)	The group has also recognised an impairment of US$(218,000) due to the write-down of inventories. While this is not a large amount, it is material considering that the profit after tax from trading was US$1.4 million in FY2018. **Would management help shareholders understand its inventory stocking policy, especially for its specialty chemicals? How much inventory obsolescence and market pricing risks does the group face?** **Abundance Reply:** We store our chemicals products with third party warehouses based in the PRC that specialise in handling chemical goods. As disclosed in Notes 8 and 30 to the financial statements in our FY2018 Annual Report, the write down of inventories amounted to US$218,000 during the financial year. The write down was mainly due to the significant drop in the market price of one chemical product type as at 31 December 2018. We do not typically keep inventories for long periods of time. For example, for 2018, our inventory turnover days was 11.6 days. As disclosed in page 25 of our FY2018 Annual Report, the price of chemicals that we trade in are subject to fluctuations determined by supply and demand for that product in the global market. We do not generally face any stock obsolescence for our chemical trading business.
2.	On 27 November 2018, the company announced that it had entered into a non binding agreement with Shanghai Sunrise Polymer Material Co., Ltd. (SSPM) to subscribe for 7,334,067 new SSPM shares representing 18.18% of the enlarged share capital for a consideration amount of RMB20 million (approximately US$2,908,000 or S$3,966,000). On 13 March 2019, the company announced that it has inked the subscription agreement. The aggregate value of RM20 million was 47% of the company's market capitalisation.

(i)	**What was the level of due diligence carried out by management? What was the involvement of the independent directors in the negotiations and in the due diligence?** **Abundance Reply:** We have conducted financial and legal due diligence on Shanghai Sunrise Polymer Material Co., Ltd. ("**SSPM**"). Lawyers were engaged. Rounds of negotiation and evaluation were done. We presented our due diligence result, financial information, forecast, and sought approval from the board of directors of the Company (which also includes the independent directors) before we proceeded with the subscription. The matter had also been discussed during our physical board meeting with all independent directors present. As for the aggregate value of the consideration being 47% of the Company's market capitalisation, we note that the Company's shares are thinly traded and we have no control over the share price and hence the market capitalisation of the Company. When evaluating any investments, we ensure our compliance with the Section B of the Listing Rules of the Singapore Exchange Securities Trading Limited with the assistance of our professional advisors.
(ii)	In the November 2018 announcement, SSPM was stated as being listed on the PRC's National Equities Exchange and Quotations. By March 2019, it was stated that SSPM was no longer listed. **Can the company help shareholders understand the reason(s) that SSPM was delisted from the National Equities Exchange and Quotations?** **Abundance Reply:** SSPM has done a voluntary delisting from the PRC's National Equities Exchange and Quotations as there was actually very little actual trading of its shares. Therefore, weighing the costs and benefits, SSPM decided to delist. This intention was conveyed to us since we first started discussions and was done with our concurrence.
(iii)	**What was the last available valuation of SSPM?** **Abundance Reply:** No formal valuation of SSPM was conducted for the purpose of the subscription.
(iv)	**On what basis did the company/management value SSPM? Can management provide some clarity on the valuation?** **Abundance Reply:** The terms of investment were agreed upon between the Company and SSPM after a period of negotiation. SSPM's subsidiary has been building a new plant in Jilin province in the PRC over the past two to three years. The plant just started production in March 2019. We expect this new plant to contribute positively to the financial performance of SSPM. Therefore, we are of the view that it is a good time to invest in SSPM. We studied the industry as well as SSPM's strengths and

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<tr><td></td><td>weaknesses. In addition, the negotiations were made with reference to the previous rounds of fund raising which were done at higher prices.</td></tr>
<tr><td>(v)</td><td>With a minority stake of just 18.18%, how does the group expect to realise any synergies with its main business?

Abundance Reply:

We expect that there will be synergistic benefits from the sharing of supplier and customer bases, technical expertise and other operational cooperation between the SSPM and our Group’s chemical business.</td></tr>
<tr><td>(vi)</td><td>The company has not stated the net asset value of SSPM clearly other than to state that the net tangible asset value of 18.18% of the enlarged share capital is approximately S$1,557,000. As the investment amount is RMB20 million (approximately S$3,966,000), it is estimated that the pre-investment net tangible asset of SSPM amounted to $4,598,356.

Based on the disclosure provided by the company, it appears that the company is investing $3.966 million for a 18.18% stake of the enlarged share capital when the target company has a NTA of $4.6 million.

Would the board help shareholders understand the investment thesis and on what basis/justification did it approve the investment of SSPM?

Abundance Reply:

SSPM has been loss making for the past financial year. However, SSPM has been building a plant in Jilin Province in the PRC which has just commenced operations in March 2019. Based on our assessment, their market competitiveness and hence financial performance improve when the plant becomes fully operational. We can compare this to another scenario where we build a new plant ourselves. Taking into account the approval process and the building time, it may take two to three years of waiting and spending cash before we can bring in any revenue. Moreover, there is a greater risk that the industry dynamics may have changed by the time production can start.

Hence, we are of the view that it is a good time for us to take an equity stake in SSPM. Moreover, there will be synergy between their products, expertise and network, and ours. The investment amount and rationale is not determined purely based on the current pre-investment net asset value and net tangible asset of approximately S$12,234,000 and S$8,560,000 respectively but includes the potential growth potential of SSPM.</td></tr>
<tr><td>3.</td><td>On 16 August 2017, the company announced the appointment of Mr Jiang Hao as an executive director. As Mr Jiang Hao did not have prior experience as a director of a listed company, the company has stated that it will “make arrangements for Mr Jiang Hao to attend relevant courses on the roles and responsibilities of a director of a public listed company.”

Mr Shi Jiangang was appointed as executive chairman on 25 September 2014. Similarly, the company stated the following:</td></tr>
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	Mr Shi will be briefed on his roles and obligation as a director under the listing rules as well as the relevant laws and regulations of a director of a public listed company in Singapore. The Company would arrange for regular training, particularly on relevant new laws, regulations and changing commercial risks from time to time.
(i)	**Can the company help shareholders understand if the directors have received the relevant courses and training to help them understand the roles and responsibilities of a director of a public listed company in Singapore?** **Abundance Reply:** The Directors of the Company have attended briefings by external professionals such as the external auditors and our company secretary.

By order of the Board

Sam Kok Yin
Managing Director
27 May 2019

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.

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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