



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Abundance International Limited

Security: Abundance International Limited

Meeting details:

Date: 24 April 2019

Time: 10.00 a.m.

Venue: 168 Robinson Road Capital Tower, #09-04/05 The Brain (Training rooms)
Singapore 068912

Company Description

Abundance International Limited, together with its subsidiaries, engages in the trading of chemical products in China, other countries in Asia, and internationally. It operates through Chemicals, Outsourced Printing, and Investment segments. The company offers commodity and specialty chemicals primarily for industrial applications. It also prints books, calendars, and other publications; and invests and trades in securities. The company was formerly known as Craft Print International Limited and changed its name to Abundance International Limited in August 2015. Abundance International Limited was founded in 1975 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=541)

1. Would the board/management provide shareholders with better clarity on the main trading business? Specifically:

- (i) **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.
- (ii) **To help shareholders better understand the business, can the board articulate the group's business model and identify the key value drivers?**
- (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?**
- (iv) **How much of the group's business is dependent on the controlling shareholder?**

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.

- (v) **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?**

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?**

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.

- (ii) **Can the company help shareholders understand the reason(s) that SSPM was delisted from the National Equities Exchange and Quotations?**
- (iii) **What was the last available valuation of SSPM?**

- (iv) On what basis did the company/management value SSPM? Can management provide some clarity on the valuation?**
- (v) With a minority stake of just 18.18%, how does the group expect to realise any synergies with its main business?**

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.

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

3. 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 Jianguang was appointed as executive chairman on 25 September 2014. Similarly, the company stated the following:

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?**