Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Abundance International Limited

Stock code: 541

Meeting details:
Date: 27 April 2021
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. On page 4 of the annual report, in the message to shareholder, the company stated the following:

> This year, OSC Group achieved revenue of US$410.5 million, with profit after tax of US$0.3 million amidst challenges of the COVID-19 pandemic and global economic downturn. This was due mainly to certain types of chemical products that can be used to produce hand sanitisers which were in high demand.

Later, on page 6, under the section titled "Looking ahead", the company stated:

> **LOOKING AHEAD**
>
> **Chemical Business**
> FY2020 saw an increase in the average selling price of the chemical products that the Group trades in. Amidst challenges of the COVID-19 pandemic, global economic downturn and competitive trading environment, OSC Group achieved revenue of US$410.5 million, with a loss after tax of US$0.3 million.

(Source: company annual report; emphasis added)

(i) **Can the company reconcile the above and clarify if OSC Group was profitable in FY2020?** Based on Note 37 (page 109 – Operating segment), the chemicals segment appeared to have reported a loss of $(420,000) and $(354,000) in FY2020 and FY2019 respectively.

(ii) **Can management disclose the gross profit margin achieved by OSC group in the past 3 years?**

(iii) **Can management help shareholders understand the business model of its chemical trading business? How does management create and capture value for shareholders? What is the targeted gross profit margin?**

(iv) **How does management intend to increase its gross/net margin? How much pricing ability does the group have?**

In addition, in FY2020, the group also recognised a loss of US$(499,000) relating to a contract cancellation. On page 104, management has stated that the loss on contract cancellation relates to the amount paid to a customer for the non-fulfilment of a contract with the customer due to volatility in chemical supplies.

(v) **Would management help shareholders understand the circumstances leading to the contract cancellation? Did management adhere to the group's operations and risk management framework?**

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Q2. In addition, the group has a 70%-owned joint venture company, Zhangjiagang Orient-Hill Microorganisms Technology Co., Ltd. ("Zhangjiagang Orient-Hill") with principal activities in research, screening and cultivation of microbes.

In March 2020, the JV company signed an agreement to acquire a 40% equity stake in Orient-Hill (Guangdong) Microorganisms Environmental Technology Co. Ltd.

The JV company has so far secured a service contract and it is in the midst of negotiations with a few other potential customers for new service contracts.

As disclosed on page 6, during FY2020, the joint venture recorded US$75,000 in revenue, with loss after tax of US$(1.1) million. Impairment loss on plant and equipment, research costs, marketing fees and operating costs were incurred during FY2020, resulting in a net loss.

(i) **Can the board/management help shareholders understand its investment into the research, screening and cultivation of microbes?**

(ii) **Is this synergistic to the group's chemical trading business?**

(iii) **What is management's expertise in microorganisms and its related technology?**

(iv) **Can the company help shareholders understand the business model of the microbes business? What is the niche and the size of the addressable market?**

(v) **Will the investment into microorganisms technology alter the risk profile of the group?**

(vi) Separately, the group conducts its investment business via the wholly-owned subsidiary, Abundance Investments Pte. Ltd. As noted in the annual report, the portfolio (excluding the 18.18% equity interest in Shanghai Sunrise Polymer Material Co., Ltd.) was valued at US$0.53 million, up from US$0.19 million in FY2019. Net cash purchase of financial asset at fair value through profit or loss (FVTPL) was US$338,000 in FY2020. As disclosed in Note 15 (page 94 – Financial assets at fair value through profit or loss), the group invested in quoted equity shares for returns through dividend income and fair value gains. **Can the group elaborate further on the investment mandate?** Fair value loss on equity investments at FVTPL of $2,000 (2019: $10,000) has been included in profit or loss for the year as part of "Other operating income". **How is the portfolio managed and what are the risk management policies put in place?**

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Q3. Provision 2.2 of the Code of Corporate Governance 2018 provides that where the chairman is not an independent director, the independent directors should make up a majority of the board and Provision 2.3 states that non-executive directors should make up a majority of the board.

The current board comprises six directors, three of whom are independent directors and three are executive directors. The board acknowledged the deviations from Provisions 2.2 and 2.3. The justifications can be found on page 16 of the annual report.

(i) **Has the nominating committee (NC) evaluated how, in meeting Provisions 2.2 and 2.3, the board dynamics may be further improved, leading to more constructive debate and a higher propensity to avoid groupthink?**

(ii) **Would the board be reconsidering its deviation from Provisions 2.2 and 2.3?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)