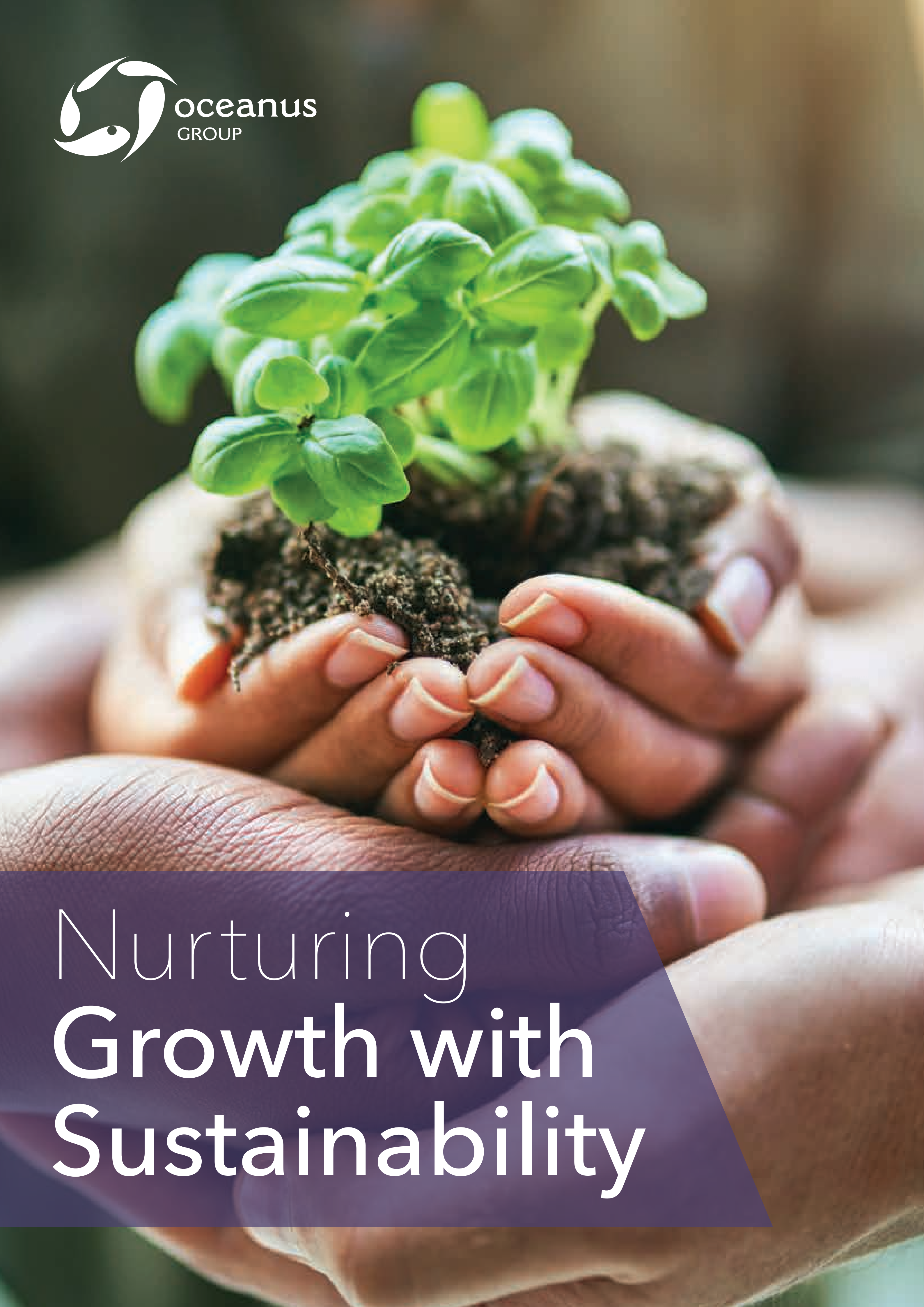


Nurturing Growth with Sustainability

CONTENTS

C

CORPORATE PROFILE

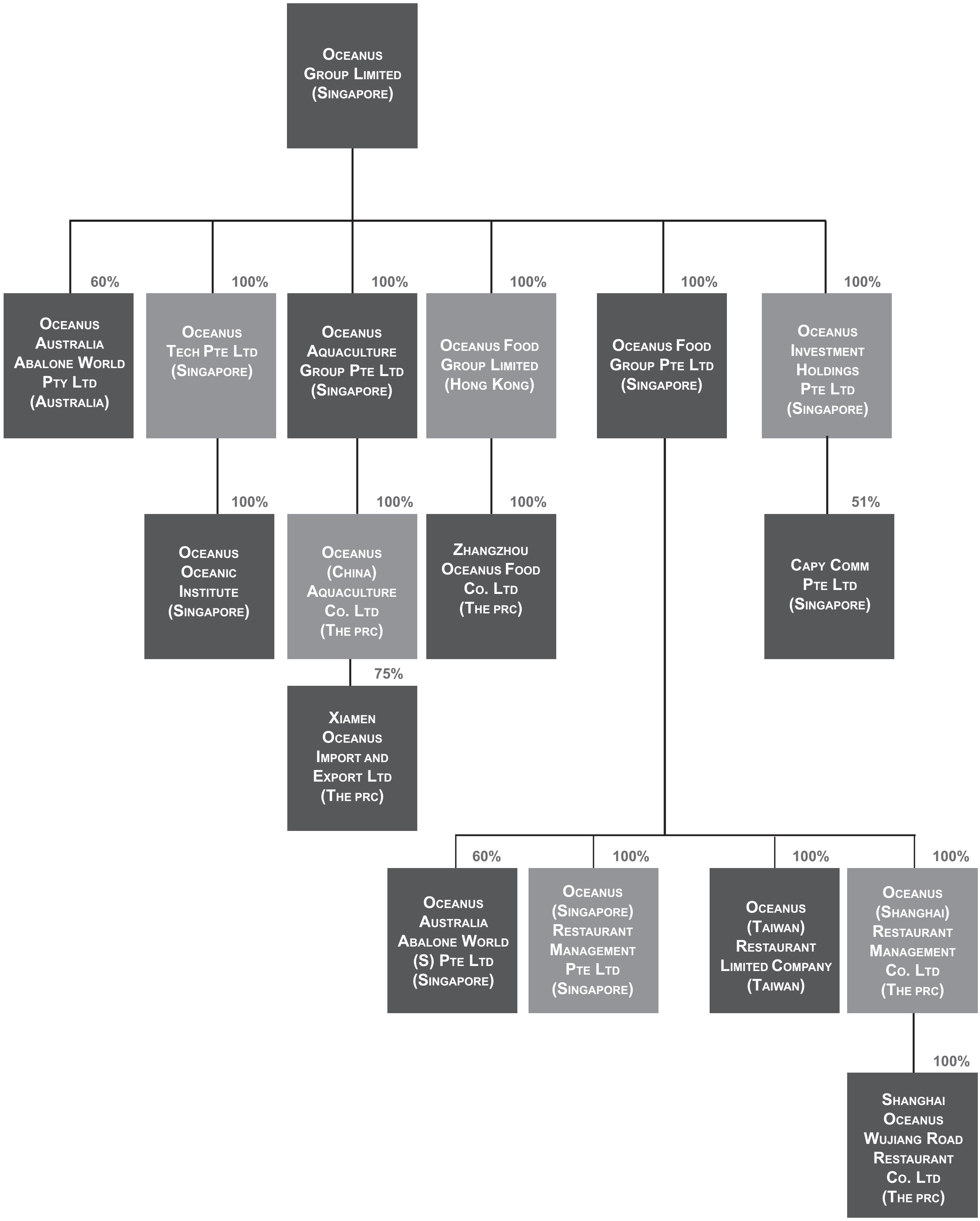
Global premium seafood value chain manager, Oceanus Group Limited ("**Oceanus**", and together with its subsidiaries, the "**Group**"), is listed on the Mainboard of the Singapore Exchange Securities Trading Limited since May 2008. It harnesses synergies from its ecosystem comprising diversified businesses across the aquaculture value chain – farming (upstream), processing (mid-stream), distribution (downstream) and consultancy (R&D).

Supported by land farms in the People's Republic of China, the Group employs a science-and-evidence-based approach to breed abalone juveniles and premium seafood under carefully controlled conditions, relying on cutting-edge aquaculture technology for effective and sustainable farming. These products can then be processed and distributed through Oceanus' processing arm and distribution channels, respectively.

Working closely with the brightest minds and industry thought leaders, Oceanus strives to create a synergistic aquaculture ecosystem with a focus on food security and safety, as well as to revolutionise the age-old aquaculture farming and seafood industries.

For more information, please visit: http://oceanus.com.sg/

CORPORATE STRUCTURE



Financial Highlights

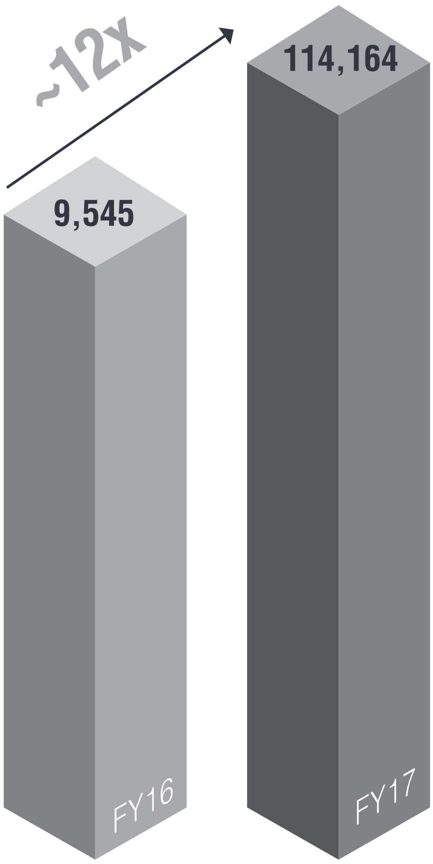
FY2017 All amounts are in RMB Currency, otherwise mentioned

Oceanus is now officially
free of all secured debt

First
net cash position
in 7 years

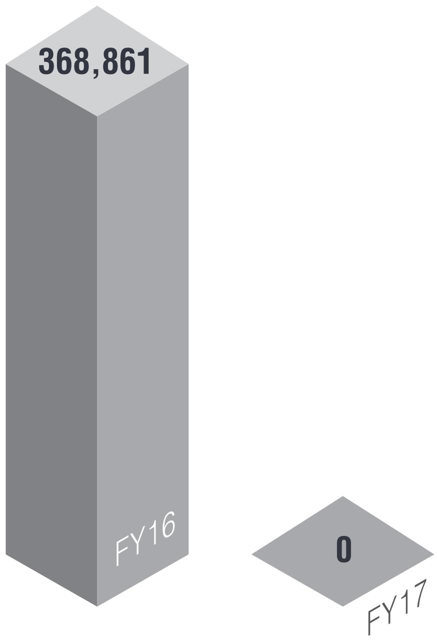
~12x increase
in our **Cash & Bank Balances**

(in RMB,000)



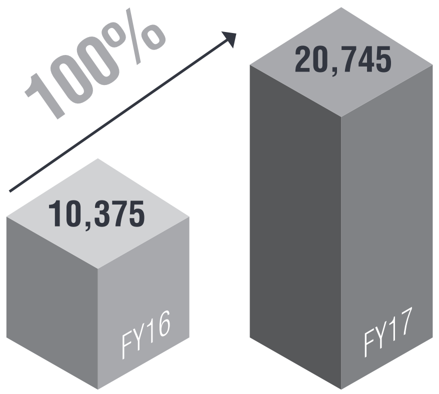
We are down to
ZERO
borrowings

(in RMB,000)

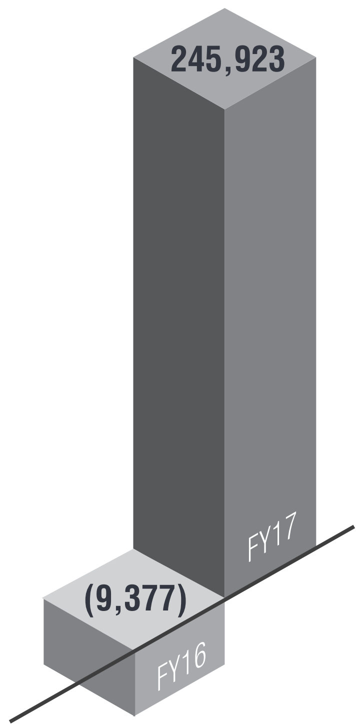


Following the successful turnaround,
Oceanus is now not only cleared all its secured debt
but also **profitable**

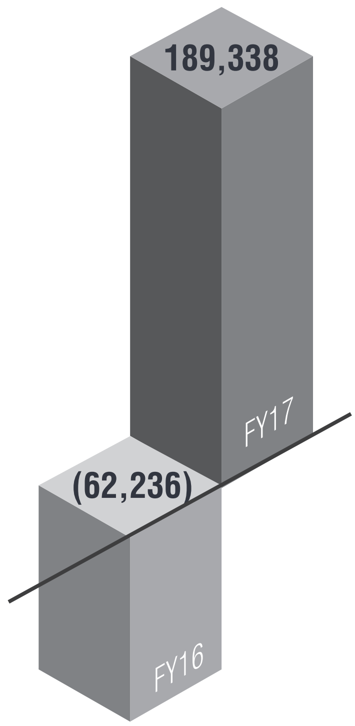
Doubled
our **revenue**
(in RMB,000)



Reversal
of the **Adjusted EBITDA**
(in RMB,000)



First
net profit
in 5 years
(in RMB,000)



RMB'000	FY2017	FY2016	Change (%)
Current Assets	126,776	21,165	499.0
Current Liabilities	102,895	620,844	(83.4)
Net Current Assets/(Liabilities)	23,881	(599,679)	NM
Total Assets	214,435	181,817	17.9
Total Liabilities	102,895	672,615	(84.7)
Total Borrowings	0	368,861	(100)
Cash and Bank Balances	114,164	9,545	1,096.1
Net Cash / (Borrowings)	114,164	(359,316)	NM
NAV/Share (SGD Cents)	0.46	(10.44)	NM

CEO'S MESSAGE

Dear Shareholders,

The financial year ended December 31, 2017 ("**FY2017**") was indeed a momentous one – we've worked tirelessly for the past three years towards this day when we can report that Oceanus has cleared all its secured debt with a diversified business model, as we chart a new journey on stronger fundamentals.

Sowing the Seeds – Organic Growth

In FY2017, we reported our first net profit in 5 years of RMB189 million on doubled revenue to RMB21 million, lifted by stronger contributions from the Live Marine Products segment, which remained our largest revenue contributor.

The Live Marine Products segment revenue registered healthy organic growth, with tripled revenue to RMB18 million in FY2017, compared to RMB6 million last financial year ("**FY2016**"), lifted by successful spawning and healthy demand for the Group's juvenile abalones during the year.

The FY2017 segment performance is reflective of the change in our business model towards hatchery of abalone juveniles, away from traditional farming. Encouraged by the results our efforts have yielded, we've since completed the subsequent spawning cycle and will continue to aggressively push sales in FY2018.

Clean Slate

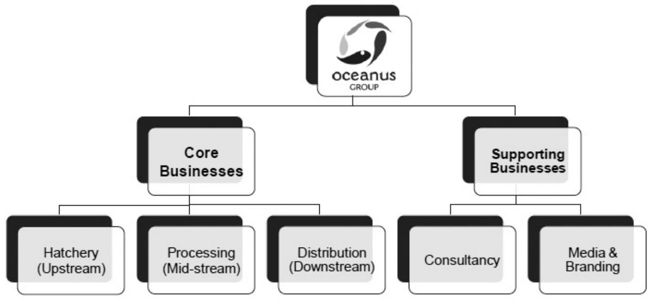
During the year, we've completed a debt restructuring exercise on December 26, 2017 that saw the issuance of 19,682,830,852 New Shares, converting S$71.8 million or 85.0% of Oceanus' total outstanding debt to equity. The balance S$12.8 million or 15% debt was paid in cash, funded by the Group's internal resources. The New Shares that were issued also includes Subscription Shares relating to S$6.0 million of fresh funding raised from new investors.

Following the restructuring exercise, for the first time in seven years, we are pleased to have reported a net cash position of RMB114 million, having fully paid down and converted all borrowings and convertible loans in FY2017, compared to a negative net borrowings position of RMB359 million in FY2016.

Bolstered by proceeds from the sale of the Gulei land farms in the PRC, and the S$6.0 million fresh funding from new investors, cash and bank balances increased to RMB114 million as at 31 December 2017, compared to RMB10 million a year ago.

Oceanus 2.0

Over the last three years, we've transformed ourselves from a single-product, single-country business model, to a diversified business model today comprising farming (upstream), processing (mid-stream) and distribution (downstream), alongside greater emphasis on Research & Development ("**R&D**").



These businesses not only offer cross-synergies that we could harness to create an ecosystem with a focus on food security and safety, it diversifies our income streams and reduces concentration risks.

While our immediate focus is to grow Oceanus' earnings through our various new businesses, our long-term vision is to strengthen this ecosystem to revolutionise and disrupt the age-old aquaculture farming and seafood industries.

Hatchery – Science & Technology

We've over the last couple of years set the direction to adopt a Science-and-Evidence-based approach to farming, and we believe that we are the only land-based abalone farm in the world to employ cutting-edge technologies under carefully controlled conditions. This is aimed at increasing production efficiency, breeding success rate and encouraging the growth, survival and propagation of premium seafood.

While we continue to farm abalone juveniles, we are also exploring opportunities for product diversification into other premium seafood such as fish, prawns and sea cucumbers, with a focus on products that will enhance our positioning in providing food security, a key focus area of many governments today.

During the year, we've struck strategic partnerships with Temasek Polytechnic ("**TP**") and James Cook University, apart from our existing collaborations with other top institutions with a strong focus on aquaculture technology, such as the National Taiwan Ocean University and Jimei University in the PRC.

With our partners, we are looking into genetics and selective breeding techniques that had contributed to the success of Norway's salmon industry, alongside recirculation technology, bio-security measures, prevention of disease outbreak, and approximate analysis feed nutrition enhancement. While we recognise that R&D will not yield results overnight, we believe this is a step in the right direction for Oceanus to maintain its competitive edge in the long-run.

In line with this vision, we had also established the Oceanus Oceanic Institute in July 2017 that will focus on aquaculture education and R&D. During the year, at an event witnessed by Dr. Koh Poh Koon, Senior Minister of State, Ministry of Trade and Industry & Ministry of National Development, we had together with TP launched the Oceanus Innovation Centre @ Temasek Polytechnic, a centre jointly set up by Oceanus and TP at Oceanus' farms in China and on-site in TP's campus.

Processing

With a good grasp on demand and supply dynamics in the market, we are able to harness operational and cost efficiencies between the hatchery and processing arms, with this latter division adding value to the raw abalones supplied via our hatchery business.

Apart from our Australian processing arm, we are exploring possible partnerships with other partners to expand our processing footprint within the region.

Distribution

Our processed products are subsequently marketed through our distribution arm and this includes our premium "Oceanus" branded canned abalones that have received warm reception so far, especially during the recently concluded Chinese New Year festive period. We'll continue to push sales of our canned abalones via our distribution channels in the coming financial year.

Apart from our own products, we are also distributing third-party products through our distribution channels and network, thereby creating a new revenue stream for Oceanus.

We had in December 2017 incorporated a distribution center in Xiamen, China – Xiamen Oceanus Import and Export Ltd, which is expected to recognise its maiden revenue in FY2018.

Towards this end, we will continue to actively seek import and export partnerships to expand our trading network globally, particularly in the Asia-Pacific and South America markets.

Consultancy

Shortly after we had incorporated our consultancy arm, Oceanus Tech Pte Ltd ("**Oceanus Tech**"), it had in FY2017 secured an overseas consultancy project from a prominent SGX Mainboard-listed agriculture group to provide aquaculture consultancy services.

This is very encouraging results, as we continue to tap on the expertise and network of our partners to seek more of such opportunities to provide aquaculture consultancy services, strengthening our track record and capabilities, and striving towards our vision to move up the value chain to become a global premium seafood value chain manager.

Media & Branding

To support marketing requirements of our distribution business, we've set up a media and branding arm in February 2018 under a 51%-owned subsidiary, Capy Comm Pte Ltd ("**CCPL**").

Led by veterans in the media and branding space, CCPL provides services relating to video marketing, interactive media and animation videos, visual media, content marketing and strategy consulting.

Concurrently, CCPL will also be pursuing third-party business, hence our marketing function will not be a cost centre to the Group, and will instead be a revenue-generating engine for us.

Words Of Appreciation

Oceanus has evolved considerably since I took over the reins in December 2014, it is now equipped to reach greater heights on more solid fundamentals. While we are eager to grow aggressively, we are maintaining a long-term view to ensure the long-term sustainability of our businesses while expanding prudently to protect shareholder interests.

Having met all necessary criteria required to exit the watch list, we will also work closely with our auditors and the relevant authorities to accelerate the process for our exit by FY2018.

The progress made so far couldn't have been possible without the strong support and patience of our loyal shareholders, partners and business associates, suppliers, stakeholders, as well as the hard work of our employees.

We'd like to take the opportunity to thank the aforementioned as we look forward to the exciting new chapter of the renewed Oceanus.

Yours Sincerely,

Peter H.K. Koh. PBM
Chief Executive Officer

BOARD OF DIRECTORS

P

Mr Peter H.K. Koh, PBM

Executive Director and Chief Executive Officer

Mr Peter H.K. Koh was appointed as the Group's Chief Executive Officer in December 2014. Mr Koh has been instrumental in driving the strategic direction and development of the Group's business since his appointment, including the diversification and expansion of the Group's business model beyond farming, building new income streams for Oceanus' long term sustainable growth. He was also pivotal in the Group's successful debt restructuring exercise completed in December 2017 that had reversed the Group's balance sheet back into the black.

Prior to Mr Koh's appointment at Oceanus, he had spent 22 years building a branding company he founded, which has a business presence across three continents. Mr Koh was involved in the day-to-day operations and developments of his company's business divisions – namely, Media Productions, Interactive, Visual Designs and Merchandising. Under his leadership, the company had ventured into Original Equipment Manufacturing (OEM) for major retail brands and is also amongst the first few to be selected by the Singapore Media Development Authority to produce HD format TV infotainment programmes. He led the Merchandising division in securing licensing rights for the FIFA 2006 World Cup, and in 2009, the company won The Summit International Award for marketing effectiveness in the USA.

Mr Koh sold the overseas operations seven years ago and divided his time between charities and investments. After a five-year break, Mr Koh returned to the business community in December 2014 when he was appointed Group CEO of Oceanus Group Limited.

Mr Koh's past and present directorships include PT. Kertas Blabak, Indonesia's fourth largest recycle paper mill; Eagle Coin, a joint venture with China's largest food manufacturer and State Owned Enterprise; as well as being appointed Investment Advisor to the Sino-Indian Conglomerate Ramky-Revo for their overseas investments.

An astute entrepreneur, Mr Koh also actively champions social causes and was conferred the Public Service Medal in 2014. He currently sits on the council of the North West Community Development Council. His previous appointments include sitting on the Advisory Board of the National Youth Council's National Youth Award, Chairman of Rotary Club of Singapore Vocational that oversees the Rotary-ASME Entrepreneur of the Year Award, Councilor at Central Singapore Community Development Council and Singapore Community Chest Share Committee.

A

Mr Yeo Kan Yen, Alvin

Lead Independent Director

Mr Yeo Kan Yen, Alvin was appointed to the Board as Independent Director of the Company on 31 July 2013 and was last re-elected on 30 June 2016. He is the Chairman of the Audit Committee and member of the Remuneration Committee and the Nominating Committee.

Mr Yeo had previously held various leadership appointments including Chief Operating Officer and Executive Director of CarrierNet Global Ltd., a Singapore listed Company; Regional Sales Manager at Nagamei Marine Pte. Ltd.; Chief Operating Officer of PT. Atlasat Solusindo, an Indonesia-based Company; and Regional Sales Manager of a Hong Kong-based system integration Company, Prudential Capital Technologies (China) Limited.

Mr Yeo graduated with a Master of Science degree in Information Systems, majoring in Information Systems Management from the Hawaii Pacific University, Honolulu, Hawaii; and a Bachelor degree in Business Administration majoring in Accounting from the University of Hawaii at Manoa, Honolulu, Hawaii.

K

Mr Kee Poir Mok

Independent Director

Mr Kee Poir Mok was appointed to the Board as Non-Executive Director on 31 July 2013 and was re-designated as an Independent Director with effect from 08 June 2015. He was last re-elected on 18 May 2017. Mr Kee is a member of the Audit Committee, the Nominating Committee and the Remuneration Committee.

Mr Kee is currently the Managing Partner of 125 Capital LLP, an investment management company.

Prior to that, Mr Kee was the Regional Manager and Managing Director of Goldman Sachs, and also sat on the Board of Goldman Sachs Singapore Pte Ltd from 2003 to 2008. In addition to his 20 years of experience at Goldman Sachs, he also served managerial roles specialising in investments at Nikko Merchant Bank (Singapore) and United Overseas Bank (Singapore). Mr Kee was also an Independent Director of Yuuzoo Corp from December 2014 to May 2015.

Mr Kee graduated with a Bachelor of Business Administration from the National University of Singapore.

W

Mr Wong Ann Chai

Independent Director

Mr Wong Ann Chai was appointed to the Board as a Non-Executive Director on 13 April 2015 and was re-designated as an Independent Director with effect from 08 June 2015. He was last re-elected on 22 December 2017. Mr Wong is the Chairman of the Nominating Committee and the Remuneration Committee.

Mr Wong is currently the Managing Director and co-founder of Nanosun Pte Ltd, a high technology water membrane producer and water treatment system design company specialising in drinking, industrial waste water, and also food processing with anti-bacterial properties.

Mr Wong was an investment banker at DBS bank Ltd as Managing Director of Equity Capital Markets and Nomura Investment Bank as Executive Director. Mr Wong provided advisory on IPOs, rights issues and corporate finance for companies in financial institutions, technology and manufacturing industries. Mr Wong also served on the boards of the Bank of the Philippine Islands and DBS-Cholamandalam Finance Limited and Market Risk Committee.

Mr Wong served in the Administrative Service and was awarded the PPA (Silver) for his contributions. Mr Wong holds degrees from the University of Oxford (UK) and Massachusetts Institute of Technology (USA). He has served on the Boards of Spring Singapore (Ministry of Trade & Industry), Nanyang Business School Advisory, ST Electronics (ISS), Chartered Electro-Optics, ST Aerospace (Supplies), Defence Finance Supervision, Community Chest, and SP Corporation Ltd (SGX).

J

Mr Jason Aleksander Kardachi

Non-Executive Director

Mr Jason Aleksander Kardachi was appointed as a Non-Executive Director of Oceanus Group Limited on 13 April 2015 and was last re-elected on 30 June 2016. He is a member of the Nominating Committee and the Remuneration Committee.

Mr Kardachi also serves as a Director of PT Trikomsel Oke Tbk since his appointment on 22 June 2017.

Previously, Mr Kardachi served as the Managing Partner of Teak Capital Partners Pte Ltd from 2007 to 2010, Head of Special Solutions at HSBC from 2006 to 2007 and Senior Manager at PricewaterhouseCoopers from 2001 to 2006.

Mr Kardachi has over 20 years of experience in corporate advisory and restructuring in Asia Pacific. Mr Kardachi is a Chartered Accountant and graduated from University of Adelaide, Australia, with a Bachelor of Commerce and Bachelor of Economics.

S

Mr Stephen Lee

Non-Executive Director

Mr Stephen Lee was appointed as a Non-Executive Director of the Company on 10 October 2012 and was last re-elected on 22 December 2017. He is a member of the Audit Committee, the Nominating Committee and the Remuneration Committee.

Mr Stephen Lee joined AIF Capital in 1994 and has led investments in media, transportation, pharmaceuticals, power, telecommunication, new material and transportation sectors across China, Hong Kong, Taiwan, India, Indonesia, Singapore, Malaysia, the Philippines and South Korea. He has over 23 years of private equity, direct investment and industry experience and represents AIF Capital on the boards of various portfolio companies.

Prior to AIF Capital, Mr Lee worked for the City of North York in Toronto as an Urban Development Engineer and Unibrite Corporation, Toronto, where he was a Director responsible for real estate investments, land development feasibility studies and financing strategies.

Mr Lee graduated from the University of Toronto, Canada, with a B.Sc. degree in Civil Engineering, an M.E. in Transportation & Urban Planning and an M.B.A. He is a professional engineer, a CFA charter holder and a SEPC graduate from Harvard Business School. Mr Lee is fluent in Cantonese and Mandarin.

SENIOR MANAGEMENT

D

Mr Duane Ho

Chief Financial Officer

Mr Duane Ho was appointed Group Chief Financial Officer on 5 March 2018. Mr Ho is responsible for all of the Group's global financial functions including financial planning and analysis, budgeting, financial statement reporting, cash flow management, financial control, audit and corporate tax. He is also responsible for securing financing options available to the Group to fund its growth strategies, as well as leading the Group's internal financial controls and risk management efforts.

Prior to his appointment, Mr Ho spent four years in corporate advisory and restructuring firm, Borrelli Walsh, managing financial and operational restructurings as well as process improvements for its clients across Asia. Mr Ho also led numerous C-level negotiations, M&A feasibility studies and provided end-to-end corporate financing advice to companies listed in Asia-Pacific.

Mr Ho's professional accreditations include CPA Australia, since 2013, and is a chartered accountant of Singapore. He graduated with a Bachelor of Commerce from the University of Melbourne with a double major in Accounting and Finance.

R

Mr Robert Koh

Operations Director (China)

Mr Robert Koh was appointed as Operations Director in June 2017. He is responsible for the planning, directing and coordinating all production related activities in the daily operations of the plant to ensure production meets output and quality goals.

Mr Koh joined the Company as a manager in charge of China operation in September 2014 as part of the new management team to lead Oceanus' turnaround efforts. He has since played an integral role in the Company's strategic planning and implementations.

With almost three decades of track record, Mr Koh brings with him deep experience and network in business development and operations management, particularly in the F&B sector. Following the divestment of his manufacturing business, Mr Koh has over the years amassed strong skill sets in business strategy as a freelance business consultant, assisting business owners and start-ups in the successful transformation of their operations and businesses.

C CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTOR AND CEO
Peter Koh Heng Kang

INDEPENDENT DIRECTORS
Yeo Kan Yen, Alvin
Kee Poir Mok
Wong Ann Chai

NON-EXECUTIVE DIRECTORS
Jason Aleksander Kardachi
Stephen Lee

AUDIT COMMITTEE
Yeo Kan Yen, Alvin (Chairman)
Stephen Lee
Kee Poir Mok

NOMINATING COMMITTEE
Wong Ann Chai (Chairman)
Yeo Kan Yen, Alvin
Kee Poir Mok
Stephen Lee
Jason Aleksander Kardachi

REMUNERATION COMMITTEE
Wong Ann Chai (Chairman)
Yeo Kan Yen, Alvin
Kee Poir Mok
Stephen Lee
Jason Aleksander Kardachi

COMPANY SECRETARIES
Raymond Lam Kuo Wei
Shee Shin Yee

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Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

BANKERS
HL Bank Ltd
DBS Bank Ltd
Agricultural Bank of China

AUDITOR
Foo Kon Tan LLP
Public Accountants and
Chartered Accountants
24 Raffles Place
#07-03
Clifford Centre
Singapore 048621

Partner-in-charge:
Toh Kim Teck
(since financial year 2014)

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "**Board**") and Management of Oceanus Group Limited (the "**Company**") are committed to maintaining a high standard of corporate governance and the offering of high standards of accountability to the shareholders of our Company by complying with the benchmark set by the Code of Corporate Governance 2012 (the "**Code**") where it is applicable and practical to the Company and its subsidiaries (the "**Group**") in the context of the Group's business and organisation structure.

This Annual Report sets out the corporate governance practices that have been adopted by the Company with specific reference to the principles and guidelines of the Code, the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the Companies Act (Cap. 50) of Singapore ("**Act**") where applicable, except where otherwise stated.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board is entrusted with the responsibility for the overall management of the business, corporate affairs, corporate governance, strategic direction, formulation of policies and overseeing the investment and business of the Group.

The Board will meet on a quarterly basis and ad-hoc Board meetings will be convened as and when they are deemed necessary. In between Board meetings, other important matters will be put to the Board's approval by way of circulating resolutions in writing. The Company's Constitution provide for meetings of Directors to be held by means of telephone conference or other methods of simultaneous communication by electronic or other means.

Matters which specifically require the Board's decision or approval are those involving:

- corporate strategy and business plans;
- investment and divestment proposals;
- funding decisions of the Group;
- nomination of Board and appointment of key personnel;
- quarterly and full year results announcements, the annual report and accounts;
- identification of the key stakeholder groups and review of the effect of their perception on the Company's reputation;
- sustainability issues as part of its strategic formulation;
- material acquisitions and disposal of assets; and
- all matters of strategic importance.

All other matters are delegated to board committees ("**Board Committees**") whose actions are monitored and endorsed by the Board. These committees include the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**"), which operate within clearly defined and written terms of reference and functional procedures.

Each Director acts in good faith and in the best interest of the Company. All Directors are expected to fulfil their duties to objectively take decisions in the interest of the Company.

The number of meetings held and the attendance at meetings of the Board and Board Committees by the previous and present Directors of the Company during the financial year ended 31 December 2017 are, as follows:

	Board	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
Number of meetings held	5	6	1	1
	Number of meetings attended			
Ng Cher Yew[1]	–	–	N.A	N.A.
Peter Koh Heng Kang	5	N.A.	N.A.	N.A.
Stephen Lee	4	3	–	–
Kee Poir Mok	5	6	1	1
Yeo Kan Yen, Alvin	5	6	1	1
Wong Ann Chai	5	N.A.	1	1
Jason Aleksander Kardachi	5	N.A.	1	1

Notes:

(1) Dr Ng Cher Yew resigned as the Non-Executive Chairman of the Company with effect from 15 February 2017.

N.A. Not applicable

Directors are also informed and encouraged to attend seminars and receive training to improve themselves in discharge of their duties as Directors. The Company will work closely with professionals to provide its Directors with updates on changes to relevant laws, regulations and accounting standards.

The newly appointed Directors are given an orientation on the Group's business strategies and operations. Directors also have the opportunity to visit the Group's operating facilities and meet with Management to gain a better understanding of the Group's business operations and governance practices. All Directors who had no prior experience as Directors of a listed company have undergone training and briefing on the roles and responsibilities as Directors of a listed company.

Further, Non-Executive Directors and Independent Directors are routinely briefed by the Executive Director or Management at Board meetings or at separate sessions on business developments of the Group. Non-Executive Directors and Independent Directors, either individually or as a group, have full access to the Executive Director, Management and the Company Secretary.

Principle 2: Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

As at the date of this Annual Report, the Board comprises the following directors:

Mr Peter Koh Heng Kang	Executive Director and Chief Executive Officer
Mr Stephen Lee	Non-Executive Director
Mr Jason Aleksander Kardachi	Non-Executive Director
Mr Yeo Kan Yen, Alvin	Lead Independent Director
Mr Kee Poir Mok	Independent Director
Mr Wong Ann Chai	Independent Director

The profile of each member of the Board is found in the "Board of Directors" section of this Annual Report.

The Board currently comprises three (3) Independent Directors, namely Mr Yeo Kan Yen, Alvin, Mr Kee Poir Mok and Mr Wong Ann Chai, one (1) Executive Director, namely Mr Peter Koh Heng Kang, and two (2) Non-Executive Directors, namely Mr Stephen Lee and Mr Jason Aleksander Kardachi. The NC has examined its size and is satisfied that the current board size of six (6) Directors is an appropriate size for effective decision making, taking into account the nature and scope of the Company's operations.

The Company endeavors to maintain a strong element of independence on the Board. The Board considers that there is a strong independent element in the Board as the number of Independent Directors represent half of the Board as at the date of this Annual Report.

The Board considers an "Independent Director" as one who has no relationship with the Company, its related companies, its 10% shareholders or its officers who could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgment in the conduct of the Group's affairs. The Board believes it is able to exercise independent judgment on corporate affairs and provide Management with a diverse and objective perspective on issues. Each Independent Director is required to complete a confirmation of independence annually to confirm his independence based on the guidelines as set out in the Code. The Independent Directors have confirmed that they do not have any relationship with the Company or its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company. The NC is satisfied that there is no other relationship which would affect their independence.

Consideration is given to guideline 2.4 of the Code which states the independence of any Director who has served on the Board beyond nine (9) years from the date of his first appointment be subject to particularly rigorous review by the NC. There are no Independent Directors who have served on the Board beyond nine (9) years.

The Board has examined its size and is satisfied that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company.

The Nominating Committee is of the view that the current Board comprises persons who as a group provide capabilities required for the Board to be effective. Details of the Board members' qualifications and experience are presented in this Annual Report under the heading "Board of Directors".

The Non-Executive Directors are encouraged to participate in the Board meetings in the development of the Company's strategic plans and directions and in the review of Management's performance against the targets.

Principle 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

In the Code, the roles and responsibilities of the Chairman and Chief Executive Officer ("**CEO**") are separate, serving to institute an appropriate balance of power and authority.

Dr Ng Cher Yew was the Non-Executive Chairman since 30 November 2015, whilst Mr Peter Koh Heng Kang holds the position of Executive Director and CEO of the Company. Dr Ng resigned as the Non-Executive Chairman on 15 February 2017.

The Chairman is responsible for the following:

- providing effective leadership to the Board in relation to all Board matters;
- guiding the agenda and conducting all Board meetings;
- in conjunction with the Company Secretaries, arranging regular Board meetings throughout the year, confirming that minutes of meetings accurately record decisions taken and, where appropriate, the views of individual Directors;
- overseeing Board succession;
- acting as a conduit between Management and the Board, and being the primary point of communication between the Board and the Management;
- setting the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- promoting a culture of openness and debate at the Board; and
- representing the views of the Board to the public.

The CEO is responsible for the day-to-day operations and management of the Group, as well as the overall strategic policies and directions of the Company. The CEO and Management of the Company are accountable to the Board for the conduct and performance of the operations of the Group. The responsibilities of the CEO and the Chairman are clearly separated and delineated to ensure an appropriate balance and separation of power.

The Company has appointed Mr Yeo Kan Yen, Alvin as the Lead Independent Director of the Company. As Lead Independent Director, Mr Yeo Kan Yen, Alvin serves as the leader of the Independent Directors in raising queries and takes up matters where circumstances required. Led by the Lead Independent Director, the Independent Directors meet periodically without the presence of the Executive Director and Management to discuss matter that were deliberated at the Board meetings.

Principle 4: Board Membership

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC of the Company currently comprises three (3) Independent Directors, namely Mr Yeo Kan Yen, Alvin, Mr Wong Ann Chai and Mr Kee Poir Mok and two (2) Non-Executive Directors, namely Mr Stephen Lee and Mr Jason Aleksander Kardachi. Mr Wong Ann Chai is the Chairman of the NC.

The roles and functions of the NC are as follows:

- to make recommendations to the Board on all board appointments and re-nominations having regard to the Director's contribution and performance;
- to make recommendations to the Board on the review of board succession plans for Directors, Chairman and CEO;
- to make recommendation to the Board on the development on board evaluation performance;
- to make recommendations to the Board on the review of training and professional development program for the Board;
- to make recommendations to the Board on the appointment and re-appointment of Directors;
- to ensure that all Directors submit themselves for re-nomination and re-election at regular intervals and at least once every three years;
- to determine annually whether a Director is independent, taking into account the definition of an independent director in the Code;
- to decide whether a Director is able to and has adequately carried out his duties as a Director of the Company, in particular, where the Director concerned has multiple board representations;
- to assess the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board; and
- to carry out such other duties as may be agreed to by the NC and the Board.

The NC will ensure that there is a formal and transparent process for all appointments to the Board. It has adopted a written terms of reference defining its membership, administration and duties. A meeting has been held to review the independent status of each Independent Director.

The Constitution requires one-third (1/3) of the Directors (except the Managing Director) to retire from office at least once every three years at an annual general meeting ("**AGM**") and the retiring Directors are eligible to offer themselves for re-election. The re-election of each is voted on separately at the AGMs. To assist shareholders in their decision, information such as personal profile and meetings attendance of each Director standing for election are furnished in the various sections of this Annual Report.

The NC had recommended to the Board that Mr Yeo Kan Yen, Alvin and Mr Jason Aleksander Kardachi will be retiring at the forthcoming AGM pursuant to Article 107 of the Company's Constitution. Mr Yeo Kan Yen, Alvin, being eligible for re-election, has expressed his intention of retirement as a Director of the Company at the forthcoming AGM. The Board has accepted Mr Alvin Yeo's retirement as an Independent Non-Executive Director of the Company at the forthcoming AGM. Upon his retirement, Mr Alvin Yeo will cease as Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee.

The Code requires listed companies to fix the maximum number of board representations on other listed companies that their directors may hold and to disclose this in their annual report. In determining whether each Director is able to devote sufficient time to discharge his duties, the Board has taken cognizance of the Code requirement, but is of the view that its assessment should not be restricted to the number of board representations of each Director and their respective principal commitments in itself. Holistically, the contributions by our Directors to and during meetings of the Board and the AC as well as their attendance at such meetings should also be taken into account.

Although the Independent Directors hold directorships in other companies which are not in the Group, the Board is of the view that such multiple board representations do not hinder them from carrying out their duties as Directors. These Directors would widen the experience of the Board and give it a broader perspective. The NC is satisfied that these Directors have been able to devote adequate time and attention to fulfill their duties as Directors of the Company, notwithstanding their multiple board representations and other principal commitments. There is no alternate director appointed to the Board.

Principle 5: Board Performance

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution of each director to the effectiveness of the Board.

The NC reviews the criteria for evaluating the Board's performance and effectiveness as a whole and the performance of individual Directors, based on performance criteria set by the Board. Based on the recommendations of the NC, the Board has established formal assessment process to assess the effectiveness of the Board as a whole where a performance evaluation questionnaire will be circulated and completed by each Director. The review of the performance of the Board is undertaken collectively by the Board annually and informally on a continuous basis by the NC with input from the other Board members.

The individual performance criteria include qualitative and quantitative factors such as attendance and participation in and outside the meetings, performance of principal functions and fiduciary duties, intervention and industry and business knowledge.

During the financial year under review, the NC is satisfied that each Director has contributed effectively and demonstrated commitment to their respective role and the Board as a whole has also met the performance evaluation criteria and objectives.

Principle 6: Access to Information

In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Each member of the Board has access to such information regarding the Company as may be required for the discharge of his duties and responsibilities. Prior to each Board meeting, the members of the Board are each provided with the relevant documents and information necessary, including financial statements together with background and explanatory statements, budgets, forecasts and progress reports of the Group's business operations, for them to comprehensively understand the issues to be deliberated upon and make informed and timely decisions thereon.

As a general rule, notices are sent to the Directors in advance of Board meetings, followed by the Board papers in order for the Directors to be adequately prepared for the meetings. Senior management personnel if required will attend board meetings to address queries from the Directors. The Directors also have unrestricted access to the Company's senior management.

The Directors have separate and independent access to the Company Secretaries. The Company Secretaries attend Board meetings and ensures that Board procedures and the provisions of applicable laws, the Constitution and the Listing Manual of the SGX-ST are complied with and that proper minutes of the same are taken and kept. The appointment and removal of the Company Secretaries are subject to the approval of the Board.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC of the Company currently comprises three (3) Independent Directors, namely Mr Wong Ann Chai, Mr Yeo Kan Yen, Alvin and Mr Kee Poir Mok and two (2) Non-Executive Directors, namely Mr Stephen Lee and Mr Jason Aleksander Kardachi. Mr Wong Ann Chai is the Chairman of the RC.

The roles and functions of the RC are as follows:

- to recommend to the Board a framework of remuneration for the directors and senior management;
- to determine specific remuneration packages for each executive director;
- in the case of service contracts of directors, to review and to recommend to the Board the terms of renewal of the service contracts;
- to consider the various disclosure requirements for directors' and key executives' remuneration, particularly those required by regulatory bodies such as the SGX-ST, and ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties;

- to review the Company's obligation arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clause which are not overly generous; and
- to carry out such other duties as may be agreed to by the RC and the Board.

The RC had been established for the purposes of ensuring that there is a formal and transparent procedure for fixing the remuneration packages of individual Directors. All aspects of the remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits in kind will be reviewed by the RC. The overriding principle is that no Director should be involved in deciding his own remuneration. In addition, the RC reviews the performance of the Group's key management personnel and employees who are immediate family members of a director or CEO taking into consideration the CEO's assessment of and recommendation for remuneration package.

The RC members are familiar with executive compensation matters as they manage their own businesses and/or are holding directorships in other listed companies. The RC has access to advice regarding executive compensation matters, if required.

Principle 8: Level and Mix of Remuneration

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

In setting remuneration packages, the RC will ensure that the Directors are adequately but not excessively remunerated as compared to the industry and comparable companies.

The remuneration packages for Executive Director and the key management personnel take into account the performance of the Group and the individual. The Director's fees for Non-Executive Directors are based on the effort, time spent and responsibilities of the Non-Executive Directors, subject to approval of the shareholders of the Company at AGMs.

The Group does not have any employee share option scheme.

Having reviewed and considered the variable components of remuneration of the Executive Director and the key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of their remuneration paid in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss.

Principle 9: Disclosure on Remuneration

Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The RC recommends to the Board a framework of remuneration for the Board and key management personnel to ensure that the structure is fair and competitive, keeping with industry practices yet sufficient to attract, retain and motivate key management personnel to run the Company successfully in order to maximize shareholders' value. The recommendations of the RC on the remuneration of Directors and key management personnel will be submitted for endorsement by the Board. The members of the RC do not participate in any decisions concerning their own remuneration.

Generally, the nature of the role performed and market practice are taken into consideration in determining the composition of the remuneration package for each of its staff. For key executive officers, the Company adopts a performance-driven approach to compensation with rewards linked to individual, team and corporate performance.

The breakdown, showing the level and mix of each individual Director's remuneration in percentage term for the financial year ended 31 December 2017 is, as follows:

Remuneration Band and Name of Director	Base/Fixed salary	Directors fees	Variable or performance benefits related income/Bonus	Other Benefits
S$250,000 to below S$500,000				
Peter Koh Heng Kang	92.3%	–	7.7%	–
Below S$250,000				
Yeo Kan Yen, Alvin	–	100%	–	–
Kee Poir Mok	–	100%	–	–
Stephen Lee	–	100%	–	–
Jason Aleksander Kardachi	–	100%	–	–
Wong Ann Chai	–	100%	–	–

The key management personnel (who was not Director) of the Group during the financial year ended 31 December 2017 fell within the remuneration band of below S$250,000:

- Matthew Tan – CEO of Oceanus Tech Pte Ltd*
- Robert Koh – Operations Director (China Operations)

Note:
Professor Matthew Tan ceased to be the* Chief Risk Officer cum Chief Technology Officer ("CRO cum CTO**") *of the Group with effect from 1 November 2017*

The aggregate remuneration paid to the above key management personnel for the financial year ended 31 December 2017 is S$147,000.

The remuneration of the Directors, the CEO and the key management personnel is not disclosed to the nearest thousand dollar in this Annual Report as the Company and Management have concerns that disclosing the detailed breakdown of their remuneration may compromise sensitive information to the Company's competitors, having regard to the highly competitive industry conditions and the sensitivity and confidentiality of remuneration matters.

The Directors' fees paid to Independent Directors are also reviewed by the RC to ensure that the remuneration commensurate with the contributions, responsibilities of the Directors and the need to pay competitive fees to attract and retain the Directors. Director fees recommended to the Board for payment are subject to the shareholders' approval at each AGM. The remuneration for the Executive Directors and the key management personnel comprises salary and bonus that is linked to the performance of the Company and individual. The above actions enable the Company to align the remuneration of Directors and key Management with long-term interest and risk policies of the Group, which serves to attract and motivate the directors to provide good stewardship of the Company and key management personnel to successfully manage the Company.

Mr Robert Koh, brother of Mr Peter Koh Heng Kang, is the Operations Director (China Operations) of a wholly-owned subsidiary of the Company and his annual remuneration is within the band of S$100,000 to S$150,000 for the financial year ended 31 December 2017.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

In line with the continuing disclosure obligations of the Company under the SGX-ST Listing Manual, the Board's policy is that shareholders shall be informed of all major developments of the Company. Information is presented to shareholders on a timely basis through SGXNet and/or the press. In presenting the interim, half yearly and annual financial statements to its shareholders, the Board, with the assistance of the management, strives to provide a balanced and understandable assessment of the Company's performance, position and prospects. The Board also undertakes such effort in respect of other price sensitive public reports and reports to regulators, where required.

The Board is mindful of its obligations to provide shareholders with a comprehensive view of the Company's financial performance, position and prospects on a timely basis that would allow a balanced and understandable assessment of the Group's financial position and prospects.

The AC has been tasked to review the Company's financial information to ensure that the objective is met. The Board will update the shareholders on the operations and financial position of the Company through quarterly and full year announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations.

Management currently provides the Board with appropriately detailed management accounts and such explanation and information on a regular basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Group's internal control system is designed to provide reasonable assurance as to the integrity and reliability of the financial information and to safeguard and maintain accountability of assets. Procedures are in place to identify major business risks and evaluate potential financial effects, as well as for the authorisation of capital expenditure and investments.

During the financial year under review, the AC was assisted by Management (the Executive Director, the CRO cum CTO and the Country Manager, (China Operations)) and the external auditors, who carried out, an annual review of the adequacy and effectiveness of the Group's key internal controls, including financial, operational and compliance and information technology controls as well as risk management to the extent of their scope work as laid out in their audit plan. In addition, an annual review was carried out to ensure that safeguards, checks and balances are put in place to prevent any conflicts of interest or any weakening of internal controls. Any material weaknesses in internal controls, together with recommendation for improvement, were reported to the AC. The AC also reviewed the effectiveness of the actions taken by Management on the recommendations made by the external auditors in this respect. To facilitate the AC, and the external auditors to make an informed assessment of the Group's internal controls, information such as financial records and financial statements were provided by Management.

The AC has reviewed the arrangements through which the staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, to ensure that arrangements were in place for the independent investigation of such matters and for appropriate follow-up action if necessary.

RISK MANAGEMENT

As the Group does not have a risk management committee, the Board, AC and Management assumed the responsibility of the risk management function. Management regularly reviews the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant policies and procedures and highlight all significant matters to the Board and the AC.

With a view to further strengthening its risk management, the Group, with the assistance of the CRO cum CTO who had resigned on 1 November 2017 subsequently, had implemented 2 risk management manuals at its abalone farms, i.e. the "Farm Safety and Risk Management Plans for Oceanus Farms" and the "Abalone Breeding Manual". The Farm Safety and Risk Management Plans deal extensively with (i) standard operating procedures ("**SOP**") for the Group's farm safety, in terms of animal health, farm bio-security and farm worker's health and safety; and (ii) risk management plans for all of the Group's farms in China, primarily comprising the identification of all risks and hazards affecting abalone farms, risk characterization, elements of risk analysis and risk management processes and protocol for all Oceanus farms. On the other hand, the Abalone

Breeding Manual also aims to achieve increase in the survival and growth rate of the Group's larvae and juveniles and it documents the entire breeding process which includes the Group's proprietary breeding processes and protocols. This evidence-based scientific approach, coupled with the Group's many years of hands-on breeding experience, will be implemented for all future breeding programs of the Group across all of its PRC farms.

Internal Controls

The Board recognizes the importance of maintaining a sound system of internal controls and risk management to safeguard the interests of the shareholders and the Group's assets. The Board has received assurance from the CEO and Group Financial Controller ("**FC**") that the financial records have been properly maintained and financial statements for the financial year under review give a true and fair view of the Company's operations and finances, and that an effective risk management and internal control system has been put in place.

The Company does not have a Chief Financial Officer ("**CFO**") for the financial year under review. Ms Tan Pern Yeen who was appointed as the Group FC of the Company on 1 August 2016, resigned on 17 February 2017.

Ms Tan May Ling was appointed as the Group FC of the Company since 1 February 2017.

The Board, with the concurrence of the AC, is therefore of the opinion that the Group's system of internal controls is adequate to address financial, operational and compliance risks of the Group in its current business environment.

Principle 12: Audit Committee

The Board should establish an Audit Committee with written terms of reference, which clearly set out its authority and duties.

The AC of the Company currently comprises two (2) Independent Directors, namely Mr Yeo Kan Yen, Alvin and Mr Kee Poir Mok and one (1) Non-Executive Director, namely Mr Stephen Lee. Mr Yeo Kan Yen, Alvin is the Chairman of the AC.

The roles and functions of the AC are as follows:

- commissioning of the external auditors or a suitable accounting firm to conduct a full review of the internal controls of the Group, which includes reviewing the audit plans of the external auditors, the results of the external and internal auditors' examination and their evaluation of internal accounting controls systems, and the external auditors' report, letter to management and the management's response thereto;
- reviewing the internal control and procedures and ensuring the co-ordination between the auditors and Management, reviewing the co-operation and assistance given by the management to the auditors, and discussing problems and concerns, if any, arising from the interim and final audits and any matters which the auditors may wish to discuss (in the absence of the management where necessary);
- ensuring that the internal audit function is adequate and that a clear reporting structure is in place between the AC and the internal auditors, and reviewing the scope and results of the internal audit procedures including the effectiveness of the internal audit function. In particular, ensuring that all internal control weaknesses are satisfactorily and properly rectified and that the SGX-ST is updated on any findings of the external auditors or accounting firm and any action taken by the AC to rectify such weaknesses pursuant thereto;

- ensuring that a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually by the internal and/or external auditors;
- reviewing and ensuring the integrity of the financial statements of the Group before submission to the Board for approval, focusing in particular, on significant financial reporting issues, changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards and compliance with the Listing Manual of the SGX-ST and any other statutory/regulatory requirements;
- reviewing and discussing with the external auditors, and commissioning and reviewing the findings of internal investigations into, any suspected fraud or irregularity, or suspected failure of internal controls, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results and/or financial position, and the management's response;
- reviewing the risk profile of the Company, its internal control and risk management procedures and the appropriate steps to be taken to mitigate and manage risks at acceptable levels determined by the Board;
- reviewing the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors, and where the external auditors also supply a substantial volume of non-audit services to the Company, keeping the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;
- reviewing the independence of the external auditors annually, and considering for recommendation to the Board the appointment, remuneration, terms of engagement or re-appointment of the external and internal auditors and matters relating to the resignation or dismissal of the auditors;
- reviewing and approving any interested person transactions falling within the scope of Chapter 9 of the Listing Manual of the SGX-ST;
- reviewing any potential conflicts of interests that may arise in respect of any Director of the Company for the time being;
- reviewing arrangements by which staff of the Company may, in confidence, raise concerns about possible impropriety in matters of financial reporting and other matters and the adequacy of procedures for independent investigation and appropriate follow-up action in response to such complaints;
- undertaking such other reviews and projects as may be requested by the Board and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- generally undertaking such other functions and duties as may be required by statute or the Listing Manual of the SGX-ST, or by such amendments made thereto from time to time;
- assessing the performance of the chief financial officer, for the relevant period, on an annual basis to determine his suitability for the position;
- at quarterly intervals, or any other period that the AC deems fit, ensuring that trade receivables are stated at fair value, accurately recorded in the financial statements;
- conducting such tests and examinations of financial statements including, but not limited to, securing independent confirmations of balances from major debtors, checking on frequencies of payments from major debtors and evaluating the adequacy of credit policies; and

- reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties).

The AC has adopted written terms of reference defining its membership, administration and duties. The Board is of the view that all the members of the AC have accounting and/or financial management expertise and experience to discharge their responsibilities as members of the AC.

The AC will meet with the external auditors without the presence of Management at least once in every financial year.

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by the Executive Director and Management to discharge its functions properly.

The AC meets on a quarterly basis to review the quarterly and the audited annual financial statements and all related documents in relation thereof before submission to the Board for approval.

The AC has ultimate responsibility for the systems of internal control maintained and set in place by the Company. The systems are intended to provide reasonable assurance, but not an absolute guarantee, against material financial misstatement of loss, and regarding the safeguarding of investments and assets, reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification of business risks.

To ensure that internal controls processes are adequate and effective, the AC is assisted by various independent professional service providers. The reviews performed by Management and the assistance of the external auditors enabled the AC to carry out assessments of the effectiveness of key internal controls during the year.

Any material non-compliance or weaknesses in internal controls or recommendations from external auditors to further improve the internal controls were reported to the AC. The AC will follow-up with Management on the recommendations made by the auditors. Based on the reports submitted by the external auditors to the AC and the Board, areas of improvements have been identified and management is in the process of tightening its internal control and risk management processes.

The AC reviews the independence of Foo Kon Tan LLP ("**FKT**") annually. FKT did not provide any non-audit services to the Group.

For the financial year ended 31 December 2017, the aggregate amount of the agreed audit fees to be paid to FKT is RMB635,025.

The Company confirms that it is in compliance with Rule 712 and Rule 715 of the SGX-ST Listing Manual in relation to its auditing firms for financial year ended 31 December 2017.

The AC is satisfied with the independence and objectivity of FKT, the external auditor and recommends to the Board the nomination of the external auditor for re-appointment.

The AC was provided with updates and explanations by the independent auditors during the financial year on changes to the accounting standards and issues which have direct impact on the Group's consolidated financial statements.

No former partner or director of the Company's existing auditing firm or audit corporation is a member of the AC.

Principle 13: Internal Audit

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Board recognizes the importance of maintaining a system of internal controls to safeguard the shareholders' investments and the Company's assets. During the financial year under review, the internal audit function was performed internally by a team consisting of the Executive Director and the Country Manager (China Operations). The team performed the internal audit function and they report primarily to the AC. The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit. The AC will review the activities including overseeing and monitoring of the implementation of improvements required on internal control weaknesses identified.

The AC is satisfied that the internal audit functions have been adequately carried out.

SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company is committed to maintaining and improving its level of corporate transparency of financial results and other pertinent information. Other than the routine announcements made in accordance with the requirements of the Listing Manual of the SGX-ST, the Company has issued additional announcements and press releases to update shareholders on the activities of the Company and the Group.

The Company does not practice selective disclosure. The Company ensures true and fair information is delivered adequately to all shareholders and to ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. Financial results and annual reports are announced or issued within the mandatory period (and where this is not possible, relevant extensions of time are sought in accordance with applicable laws, regulations and rules).

Currently, the Constitution of the Company allows a member of the Company to appoint up to two (2) proxies to attend and vote at general meetings. A shareholder who is a relevant intermediary (as defined in the Act) may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder.

Principle 15: Communication with Shareholders

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Board is mindful of its obligations to provide timely disclosure of material information to shareholders of the Company, to understand the views of the shareholders and does so through:

- annual reports issued to all shareholders. Non-shareholders may access the SGX website for static copies of the Company's annual reports;
- interim, half and full yearly announcements of its financial statements on the SGXNet;
- other announcements on the SGXNet;
- press release on major developments regarding the Company; and
- the Company's website at www.oceanus.com.sg through which shareholders can access information on the Company.

A dialogue session between the Company with shareholders hosted and moderated by the Securities Investors Association (Singapore) was conducted on 12 October 2017.

By supplying shareholders with reliable and timely information, the Company has appointed Citigate Dewe Rogerson Singapore Pte Ltd who focuses on facilitating the communications with all stakeholders – shareholders, analysts and media.

Principle 16: Conduct of Shareholder meetings

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.

The Company is committed to regular and proactive communication with its shareholders in line with continuous disclosure obligations of the Company under the Listing Manual of the SGX-ST and to establishing a corporate governance culture that promotes fair and equitable treatment of all shareholders. All shareholders are treated fairly and equitably, and enjoy specific rights under the Act and the Constitution. Pertinent information will be disclosed to shareholders in a timely, fair and equitable manner. The Company does not practice selective disclosure. Material developments, press release, quarterly, half year and full year results, analysts briefing materials and other changes in the Company or its business which would be likely materially affect the price or value of the Company are always released through SGXNet pursuant to the rules of the Listing Manual of the SGX-ST. When analysts briefings are held to discuss on major events and financial results, Management will only meet the analysts after the announcement is released on SGXNet.

Pertinent information is communicated to shareholders through:

1. interim, half and full yearly results announcements which are published on the SGXNet and in press release;
2. the Company's annual reports that are prepared and issued to all shareholders;
3. notices of and explanatory memoranda, for AGM's and extraordinary general meetings; and
4. press release on major developments of the Company.

All shareholders of the Company are encouraged to participate at general meetings. Information on shareholders' meeting disseminated through notices published in newspapers, as well as through reports or circulars sent to all shareholders, to allow shareholders to be informed of the rules, including voting procedures that govern general meetings of shareholders. Resolutions at general meetings are on each substantially separate issue. All the resolutions at the general meetings are single item resolutions.

AGMs are the main forum for dialogue with shareholders and allow the Board and Management to address shareholder questions and concerns. These meetings provide a forum for Management to explain the Group's strategy and financial performance. Management also uses meetings with investors and analysts to solicit their perceptions of the Group. Annual reports and notices of the AGMs are sent to all shareholders. The members of the AC, NC and RC will be present at AGMs to answer questions relating to the work of these committees. The external auditors will also be present to assist the Directors in addressing any relevant queries by shareholders. The Board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad-hoc basis.

To promote greater transparency and effective participation, the Company has conducted the voting of its resolutions by poll at all the general meetings and make announcement on the SGXNet of the detailed results showing the number of votes cast for and against each resolution and the respective percentages after the conclusion of the general meetings.

The Company prepares minutes of the general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meetings and responses from the Board and Management. These minutes will be made available to the shareholders upon their request.

As the authentication of shareholders' identity information and other related integrity issues remain a concern, the Company will not implement voting in absentia by mail or electronic means.

DEALINGS IN SECURITIES

The Group has adopted and implemented policies in line with the SGX-ST's best practices in relation to the dealing of shares of the Company. The policies have been made known to directors, executive officers and any other persons as determined by Management who may possess unpublished material price-sensitive information of the Group.

The Group has advised Directors and all key executives not to deal in the Company's shares during the period commencing one month prior to the announcement of the Company's interim, half-yearly and full-year results and ending on the date of the announcement of the results.

The Group has reminded its Directors and officers that it is an offence under the Securities and Futures Act, Chapter 289, for a listed issuer or its officers to deal in the listed issuer's securities as well as securities of other listed issuers when the officers are in possession of unpublished material price-sensitive information in relation to those securities. Directors and executives are expected and reminded to observe insider-trading laws at all times even when dealing in securities within permitted trading periods. The Group has further reminded its Directors and officers not to deal in the Company's securities on short-term considerations.

INTERESTED PERSON TRANSACTIONS

The Group has adopted an internal policy in respect of any transactions with interested persons and established procedures for the review and approval of such transactions.

All interested person transactions will be properly documented and submitted to the AC for quarterly review to ensure that they are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the shareholders.

There are no interested person transactions during the year under review. The Company has not adopted any interested person transaction mandate which requires approvals from its shareholders.

MATERIAL CONTRACTS

On 26 July 2017, the Company had entered into (a) a restructuring framework agreement with Ocean Wonder International Limited, BW Investment Limited, Ocean King Group Limited, the Directors of the Company, the former directors, namely Dr Ngiam Tong Tau, Chua Seng Kiat and Ng Cher Yew, and Morgan Lewis Stamford LLC (collectively, the "**Parties**") and (b) conditional definitive agreements with the Parties and the New Investors (as defined in the Circular to Shareholders dated 7 December 2017) in relation to the proposed debt restructuring and proposed allotment and issue of an aggregate of 19,682,830,853 new ordinary shares in the capital of the Company (the "**Proposed Restructuring**"), of which 18,163,843,511 new ordinary shares be issued to the Parties and the New Investors for the conversion of part or all of the debts owing by the Company to them and 1,518,987,342 new ordinary shares be issued to the New Investors at subscription price of S$0.00395 each to raise S$6.0 million. The Proposed Restructuring was completed upon the allotment and issuance of the 19,682,830,853 new ordinary shares on 26 December 2017.

Except for the above, there are no material contracts of the Company and its subsidiaries involving the interests of the CEO, each Director or controlling shareholder, either still subsisting at the end of the financial year ended 31 December 2017 or entered into since the end of the previous financial year ended 31 December 2016.

USE OF PROCEEDS AND RESTRUCTURING

On 26 December 2017, the Company had raised S$6.0 million from the issuance of 1,518,987,341 new ordinary shares at S$0.00395 each in the issued and paid-up share capital of the Company from the debt restructuring exercise. As at 28 February 2018, the Company has utilized the proceeds for the following purposes:

Intended used	Amount allocated (S$'000)	Amount utilized (S$'000)	Balance amount (S$'000)
Working capital requirements	4,950	–	4,950
Repayment of existing debt	1,050	1,050	–
Total	**6,000**	**1,050**	**4,950**

The use of proceeds is in accordance with the intended use and percentage allocation of the proceed raised from the issuance of the new shares from the debt restructuring exercise.

Financial Contents

The directors submit this annual report to the members together with the audited consolidated financial statements of the Group and statement of financial position of the Company for the financial year ended 31 December 2017.

Opinion of the directors

In the opinion of the directors,

(a) the accompanying financial statements of the Group and the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, except as disclosed in Note 2(a), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

The directors wishes to make the following statements with regard to the qualified opinion in the Independent Auditors' Report on the consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 December 2017,

(a) Trade and other payables

The RMB8 million of trade and other payables booked in the Group's PRC subsidiary have been brought forward since 2011. These balances do not have sufficient supporting documents to warrant their settlement. Management takes a very prudent view on creditor balances that cannot be reliably ascertained with supporting documents. The Company has a strict cash policy where payments are matched to appropriate invoices.

Following legal consultations in the PRC in respect of the RMB8 million of payables balances, management has been advised that they should no longer be liabilities of the subsidiary pursuant to local government regulation, which stipulate that creditors balances can be written off if no demands for their repayment have been made within the last three years. To date, no claims have been made on RMB8 million of payable balances in the last 5 years.

As set out in the Company's announcement in March 2016, the abalone farm in was unlawfully taken over by creditors and management immediately commenced steps to take back its control. In the interest of time and due to the inability to draw funds from subsidiary cash account, RMB1 million was paid on behalf of the subsidiary to restore safety and resume control at the farm. Management successfully regained control of the farm in April 2016. All payments made in respect of this were duly reviewed and approved by the board.

(b) Loans

Management considered it not meaningful to conduct an assessment of fair value of the convertible bonds in the financial year 2017 given that pursuant to the Restructuring Framework, majority of the convertible bonds would be redeemed by the issuance of shares, rather than with cash. In addition, the Group's balance sheet would no longer carry any convertible bonds and loans due to shareholders and third parties in its books post-restructuring as at 31 December 2017.

Opinion of the directors (Cont'd)

(c) Biological assets

Management has ensured that the Company's stock-take of biological assets as at 31 December 2017 was conducted in the presence of auditors. As the Company's year end stock-take procedures now requires the auditor to be present, this will not longer be an issue going forward.

(d) Other investment

Management assessed that the exclusion of the Oceanus Australia Abalone World Pty Ltd ("OAAW") information does not have any material impact to the Group's FY2017 financial results as its business only represents approximately less than 3% of the Group's total assets in 2017.

As OAAW refused to provide any access to its financial records since acquisition date, the Group did not have the ability to participate in any of the decision making processes in OAAW. The exclusion of OAAW's financial information from the Group's FY2017 financial results is to remain in compliance with listing obligations and statutory reporting deadlines.

The above does not affect the Group's ongoing strategy to establish its abalone processing segment. Discussions with various major processing businesses in Australia have commenced in 2017 and the Group has already received several expressions of interests to collaborate or start a joint venture processing business

Names of directors

The directors of the Company in office at the date of this report are:

Peter Koh Heng Kang
Yeo Kan Yen, Alvin
Kee Poir Mok
Stephen Lee
Jason Aleksander Kardachi
Wong Ann Chai

Arrangements to enable directors to acquire shares or debentures

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interest in shares or debentures

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Cap. 50, particulars of interests of directors who held office at the end of the financial year (including those of their spouses and children below 18 years of age) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
	As at 1.1.2017	**As at 31.12.2017**	As at 1.1.2017	**As at 31.12.2017**
The Company - Oceanus Group Limited		Number of ordinary shares		
Peter Koh Heng Kang	-	**2,486,188,837**		
Yeo Kan Yen, Alvin	-	**51,597,390**		
Kee Poir Mok	175,234,975	**186,442,338**	-	**-**
Stephen Lee	-	**13,100,681**	387,065,804	**5,523,070,991**
Jason Aleksander Kardachi	-	**5,635,087**		
Wong Ann Chai	-	**5,635,087**		

[1] Ocean Wonder International Limited ("OWIL") holds more than 20% of the voting rights in the Company. AIF Capital Asia Ill, L.P. ("AIF LP") is the sole shareholder of OWIL and accordingly holds more than 50% of the voting rights in OWIL. AIF Capital Asia III GP Limited ("AIF GP") is the general partner of AIF LP. AIF Capital Partners Holdings, L.P. ("AIF CPH LP") is the sole shareholder of AIF GP and accordingly holds more than 50% of the voting rights in AIF GP. AIF Capital Partners, Ltd ("AIF Ltd") is the general partner of AIF CPH LP. Stephen Lee holds not less than 20% of the voting rights in AIF Ltd. Accordingly, Stephen Lee is deemed to have an interest as a substantial shareholder in the share

The directors' interests in the shares of the Company as at 21 January 2018 were the same as those as at 31 December 2017 for all the directors.

Audit Committee

The Audit Committee at the end of the financial year comprises the following members:

Yeo Kan Yen, Alvin (Chairman)
Stephen Lee
Kee Poir Mok

The Audit Committee performs the functions set out in Section 201B(5) of the Companies Act, Cap.50, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Code of Corporate Governance 2012. In performing those functions, the Audit Committee reviewed the following:

(i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;

(ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

Audit Committee (Cont'd)

(iii) quarterly, half-yearly and annual announcements, the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2017 as well as the auditor's report thereon;

(iv) effectiveness of the Company's material internal controls, including financial, operational and compliance controls and information technology controls and risk management systems via reviews carried out by the internal auditors;

(v) met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;

(vi) reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

(vii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;

(viii) reviewed the nature and extent of non-audit services provided by the external auditor;

(ix) recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;

(x) reported actions and minutes of the Audit Committee to the board of directors with such recommendations as the Audit Committee considered appropriate; and

(xi) interested person transactions (as defined in Chapter 9 of the Listing Manual of the SGX-ST).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Full details regarding the Audit Committee are provided in the Corporate Governance Report.

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the Listing Manual of the SGX-ST.

Independent auditor

The independent auditor, Foo Kon Tan LLP, Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

....
PETER KOH HENG KANG

....
YEO KAN YEN, ALVIN

Dated: 13 April 2018

Report on the financial statements

We have audited the financial statements of Oceanus Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date

Basis for Qualified Opinion

Our audit report dated 7 December 2017 on the consolidated statements for the previous year ended 31 December 2016 contained a disclaimer of opinion on the following matters that have a continuing relevance to the 2017 financial statements:

(a) Trade and other payables and supporting documents;
(b) Convertible loans; and
(c) Biological assets.

(1) Trade and other payables and supporting documents

(1)(A) Trade and other payables (Notes 15 and 16 to the financial statements)

As at 31 December 2017, trade and other payables included amounts of RMB8 million (2016 – RMB8 million) related to purchases of raw materials and consumable, capital expenditure and operating expenses brought forward from prior years.

We were not able to carry out auditing procedures on these trade and other payables as at 31 December 2017 and 31 December 2016 because documentation supporting the transactions were not available. We were unable to satisfy ourselves by alternative means concerning the validity, completeness and accuracy of these trade and other payables of RMB8 million (2016 – RMB8 million) in aggregate as at 31 December 2017 and 31 December 2016.

Basis for Qualified Opinion (Cont'd)

(1)(B) Amount due to executive director (Notes 16 to the financial statements)

As at 31 December 2016, other payables included an amount of RMB1,000,000 payable to the executive director. This liability amount arose from the payment made on behalf of a subsidiary to a third party to restore safety and resume control at a farm seized by that subsidiary's contract security and protection services provider. Based on management representation, this payment was made in the interest of time where the Group had no access to the subsidiary's premises which was under siege.

We were unable to satisfy ourselves by alternative means concerning the validity and accuracy of this liability amount as at 31 December 2016 and the occurrence and accuracy of the related expense for the year ended 31 December 2016 because documentation supporting the transaction were not available.

This liability amount was settled during the current financial year ended 31 December 2017.

Had the above matters been satisfactory resolved in the current year, necessary adjustments to opening balances as at 1 January 2017 would have consequential effects on the current year's profit or loss and other elements of the financial statements.

(2) Loans

(2)(A) Convertible loans (Note 17 and Note 18 to the financial statements)

On 26 December 2017, the Company redeemed the convertible loans for a consideration of RMB397,259,000 comprising cash of RMB62,577,815 and issue of new shares in the share capital of the Company of RMB334,681,098.

In accordance with Financial Reporting Standard 32 *Financial Instruments: Presentation* ("FRS 32"), when an entity extinguishes a convertible instrument before maturity, the redemption consideration (including directly attributable costs) is allocated to the liability and equity components of the instrument at the date of transaction. The redemption amount is allocated to the liability component based on its fair value with the residual amount allocated to the equity component. Any resulting gain or loss relating to the liability component is recognised in profit or loss.

Management applied the redemption consideration against the carrying amount of the convertible loans and recognised a gain on redemption of RBM179,517,000. This was not in compliance with FRS32.

Management did not assess the fair value of the derivative liability related to redemption premium for the convertible loans during the period from 1 January 2017 to 26 December 2017 when the convertible loans were outstanding.

We were unable to satisfy ourselves by alternative means concerning the gain or loss on redemption of the convertible loans, the amount of the redemption consideration to be allocated to the equity component at the redemption date, and the fair value of the redemption premium for the convertible loans for the year ended 31 December 2017.

Basis for Qualified Opinion (Cont'd)

(2)(B) Other loans (Note 14 to the financial statements)

During the year ended 31 December 2015, the Company issued warrants to the financing shareholders and a third party lender during the year ended 31 December 2015. Management did not assess the allocation of the carrying amount of loans from shareholders and a third party to the liability and equity components in connection with the warrants.

Consequently, as at 31 December 2016, loans from shareholders and loans from third parties amounting to RMB2,945,000 and RMB9,792,000, respectively, were measured based on the original loan principals plus accrued interest which had been computed based on the original loan principals and notional interest rates, instead of the effective interest rate in accordance with FRS39 Financial Instruments.

The loans from shareholders and loans from third parties were settled during the financial year ended 31 December 2017.

Had the above matters been satisfactory resolved in the current year, necessary adjustments to opening balances as at 1 January 2017 would have consequential effects on the current year's profit or loss and other elements of the financial statements.

(3) Biological assets (Note 10 to the financial statements)

Management did not conduct a physical count of the biological assets as at 31 December 2016.

Had the necessary restrospective adjustments been conducted to the prior financial year ended 31 December 2016, it may have consequential effects on the current year's profit or loss and other elements of the financial statements.

Management conducted a physical count of the biological assets as at 31 December 2017.

(4) Other investment (Note 6.1 to the financial statements)

On 27 July 2017, the Group acquired 60% equity interest in Oceanus Australia Abalone World Pty Ltd for a consideration of RMB17,066,000.

The Group recognised an impairment loss on the cost of investment of RMB17,066,000 in the investee for the year ended 31 December 2017 due to no control over and no access to the accounting records of the investee.

In the absence of management's documentary assessment of the impairment loss based on accounting records and financial information of the investee, we were unable to satisfy ourselves by alternative means concerning the impairment loss for the year ended 31 December 2017 and the carrying amount of other investment at 31 December 2017.

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed we conclude that there is a material misstatement of the other information, we are required to report the fact. We were unable to obtain sufficient appropriate evidence about the matters as described in the Basis for Qualified Opinion section above. Accordingly, we were unable to conclude whether or not the other information is materiality misstated with respect to the matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of property, plant and equipment and prepaid leases (Note 4 and Note 5 to the financial statements)

Risk:

Property, plant and equipment and prepaid leases collectively account for approximately 43% of the Group's total assets as at 31 December 2017.

Management engaged an external professional valuer to assess the recoverable amount of property, plant and equipment and prepaid leases. The recoverable amount was determined to be the fair value less cost to sell of the assets, which was higher than the value in use of these assets.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and the underlying assumptions to be applied.

Our response and work performed:

We assessed the Group's processes for the selection of the management's expert , the determination of the scope of work of the management's expert , and the review and acceptance of the valuations reported by the management's expert. We have evaluated the competence, qualification and objectivity of management's expert, obtained an understanding of the work of that expert; and evaluated the appropriateness of that expert's work as audit evidence for the relevant assertion. We also read the terms of engagement of the management's expert with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.

Key Audit Matters (Cont'd)

Our response and work performed: (Cont'd)

We have evaluated whether the auditor's expert has the necessary competence, capabilities and objectivity for our purposes. Through our appointed auditor's expert, we considered the valuation methodologies used against those applied by the management's expert for similar asset types. We have examined the valuation assumptions with regards to the market conformity. We have reviewed the mathematical correctness of fundamental calculation steps.

We also considered the adequacy of the descriptions in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates. This includes the relationships between the key unobservable inputs and fair values, in conveying the uncertainties.

Valuation of biological assets (Note 10 to the financial statements)

Risk:

The Group's biological assets are measured at fair value as determined by an independent firm of professional valuers.

Estimating the fair value is a complex process involving a number of judgements and estimates regarding various inputs. Consequently, we have determined the valuation of biological assets to be a key audit matter.

Our response and work performed:

We used our auditor's expert to assist in evaluating the appropriateness of the valuation techniques and assumptions applied in determining the fair value of biological assets. We evaluated the competence, capabilities and objectivity of the auditor's expert.

We assessed the completeness and appropriateness of the valuation report of management's independent valuation expert and assessed the competence, objectivity and independence of this expert.

We also assessed the adequacy of the classification and disclosures of biological assets in the financial statements.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

<u>Independent auditor's report for the financial year ended 31 December 2016</u>

We highlight that the audit report dated 7 December 2017on the financial statements for the previous year ended 31 December 2016 contained a disclaimer opinion on several matters, including matters resolved during the financial year ended 31 December 2017 are as follows:

- The going concern assumption under which the financial statements for the year ended 31 December 2016 were prepared. The ability of the Group and the Company to continue as a going concern was dependent on the successful conclusion of a debt restructuring exercise, disposal of assets that are not related to its current operations and positive cash flow from its operations in future.

- The fair value less costs to sell of farm buildings and structures erected on land leased from third party land owners and the related prepaid leases was assessed by an independent valuer to be RMB121,193,000 and RMB1,214,000, respectively, as at 31 December 2016. In assessing the fair value of these assets, the valuer had made certain key assumptions concerning the Group's ability to procure transferability of the land from the owners.

- The notional amounts of loans with attached warrants from financing shareholders and third parties were not allocated to the liability and equity components at inception and not subsequently measured at amortised cost using the effective interest method.

In arriving at our opinion on the financial statements for the year ended 31 December 2017, which is qualified, we have considered and taken into account of the above matters which were resolved during the current financial year ended 31 December 2017:

- On 26 December 2017, the Company completed the debt restructuring exercise (the "Debt Restructuring") and disposed of property, plant and equipment comprising farm buildings and structures and land use rights (prepaid leases) for a consideration of RMB182,871,000 with a resultant gain of RMB93,518,000. As at 31 December 2017, the Group had net current assets of RMB23,881,000. As at 31 December 2017, excluding amounts due to subsidiaries of RMB 102,489,000, the Company had net current assets of RMB36,951,000. The directors of the Company have the power and authority to manage the payment obligations to the said wholly-owned subsidiaries if the need ever arises.

- During the year ended 31 December 2017, the Group disposed of certain property, plant and equipment comprising farm buildings and structures and land use rights (prepaid leases) for a consideration of RMB182,871,000 with a resultant gain of RMB93,518,000. This transaction provides evidence of transferability of the subject land.

- On 26 December 2017, the convertible loans and loans from the financing shareholders and third parties were repaid.

Other Matters (Cont'd)

Placement on the Watch-List

On 14 December 2015, the Company announced that it was placed on the Watch-List by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") under the financial entry criteria. On 3 March 2016, the Company announced that it was also placed on the Watch-List with effect from 3 March 2016 due to the minimum trading price ("**MTP**") entry criteria. With respect to its placement on the Watch-List based on the financial entry criteria, the Company had to fulfil the financial exit criteria ("**Financial Exit Criteria**") under Rule 1314(1) of the Listing Manual of the SGX-ST ("**Listing Manual**") for its removal from the Watch-List within 24 months from 14 December 2015 (i.e. 14 December 2017). As announced by the Company on 6 March 2018 and 7 March 2018, the Company has since obtained from the SGX-ST an extension of up to 2 June 2018 to meet the Financial Exit Criteria. Separately, with respect to its placement on the Watch-List based on the MTP entry criteria, the Company has to fulfil the MTP exit criteria under Rule 1314(2) of the Listing Manual for its removal from the Watch-List within 36 months from 3 March 2016 (i.e. 3 March 2019).

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and its subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Toh Kim Teck.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants
Singapore, 13 April 2018

		The Group		The Company	
		31 December 2017	31 December 2016	**31 December 2017**	31 December 2016
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	**81,868**	154,645	**-**	-
Prepaid leases	5	**5,791**	6,007	**-**	-
Subsidiaries	6	**-**	-	**81,489**	157,559
Other investment	6.1	**-**	-	**-**	-
		87,659	160,652	**81,489**	157,559
Current Assets					
Inventories	7	**86**	180	**-**	-
Trade receivables	8	**-**	11	**-**	-
Other receivables	9	**9,292**	5,025	**9,907**	13,846
Biological assets	10	**3,234**	6,404	**-**	-
Cash and bank balances	11	**114,164**	9,545	**38,495**	3,170
		126,776	21,165	**48,402**	17,016
Total assets		**214,435**	181,817	**129,891**	174,575
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	12	**2,794,067**	2,413,255	**2,794,067**	2,413,255
Reserves	13	**(2,683,356)**	(2,904,053)	**(2,778,116)**	(2,832,358)
Equity attributable to owners of the Company		**110,711**	(490,798)	**15,951**	(419,103)
Non-controlling interests		**829**	-	**-**	-
Total equity		**111,540**	(490,798)	**15,951**	(419,103)
Non-Current Liabilities					
Loans and borrowings	14	**-**	7,649	**-**	7,649
Convertible loans	17	**-**	44,122	**-**	44,122
		-	51,771	**-**	51,771
Current Liabilities					
Trade payables	15	**10,218**	10,676	**-**	-
Other payables	16	**65,345**	121,581	**110,556**	77,268
Loans and borrowings	14	**3,384**	8,316	**3,384**	8,316
Convertible loans	17	**-**	308,774	**-**	308,774
Derivative liability	18	**-**	147,549	**-**	147,549
Current tax payable		**23,948**	23,948	**-**	-
		102,895	620,844	**113,940**	541,907
Total liabilities		**102,895**	672,615	**113,940**	593,678
Total equity and liabilities		**214,435**	181,817	**129,891**	174,575

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Income Statement
For the financial year ended 31 December 2017

Continuing operations	Note	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Revenue	3	**20,745**	10,375
Cost of inventories		**(19,988)**	(10,245)
Gain/(loss) arising from changes in fair value less costs to sell biological assets	10	**8,062**	(1,754)
Other operating income	19	**283,516**	8,481
Staff costs	22	**(6,700)**	(5,610)
Amortisation of prepaid leases	5	**(25)**	(58)
Impairment loss on other investment	6	**(17,066)**	-
Reversal of/(impairment loss) on prepaid leases	5	**5,043**	(83)
Reversal of/(impairment loss) on property, plant and equipment	4	**22,962**	(9,142)
Depreciation of property, plant and equipment	4	**(14,698)**	(26,728)
Other operating expenses	20	**(74,391)**	(9,362)
Finance costs	21	**(17,821)**	(17,791)
Profit/(loss) before taxation	22	**189,639**	(61,917)
Income tax expense	23	**-**	-
Profit/(loss) for the year from continuing operations		**189,639**	(61,917)
Discontinued operations			
Loss for the year from discontinued operations	27	**(301)**	(319)
Profit/(loss) for the year		**189,338**	(62,236)
Profit/(loss) attributable to:			
Owners of the Company		**189,343**	(62,236)
Non-controlling interests		**(5)**	-
		189,338	(62,236)
Earnings/(loss) per share	24		
From continuing operations			
Basic (fen)		**3.89**	(1.36)
Diluted (fen)		**3.89**	(1.36)
From discontinued operations			
Basic (fen)		**(0.01)**	-
Diluted (fen)		**(0.01)**	-
Earnings/(loss) for the year			
Basic (fen)		**3.88**	(1.36)
Diluted (fen)		**3.88**	(1.36)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2017

	Note	**Year ended 31 December 2017 RMB'000**	Year ended 31 December 2016 RMB'000
Profit/(loss) for the year		**189,338**	(62,236)
Other comprehensive profit/(loss) after tax			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations at nil tax		**14,288**	(30,799)
Total comprehensive profit/(loss) for the year, net of tax		**203,626**	(93,035)
Total comprehensive profit/(loss) attributable to:			
Owners of the Company		**203,631**	(93,035)
Non-controlling interests		**(5)**	-
		203,626	(93,035)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of Changes in Equity
For the financial year ended 31 December 2017

The Group

	Share capital RMB'000	Capital reserve RMB'000	Convertible loans reserve RMB'000	Currency translation reserve RMB'000	Statutory reserve RMB'000	Accumulated losses RMB'000	Equity attributable to owners of the company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2017	2,413,255	(1,137,504)	101,651	(994)	39,262	(1,906,468)	(490,798)	-	(490,798)
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	189,343	189,343	(5)	189,338
Other comprehensive income									
Foreign currency translation differences	-	-	-	14,288	-	-	14,288	-	14,288
Total comprehensive income for the year	-	-	-	14,288	-	189,343	203,631	(5)	203,626
Translations with owners, recognised directly in equity:									
Contributions by and distributions to owners:									
Shareholder's contribution (Note 6.1)	**-**	**17,066**	**-**	**-**	**-**	**-**	**17,066**	**-**	**17,066**
Issue of shares	**380,812**	**-**	**-**	**-**	**-**	**-**	**380,812**	**-**	**380,812**
Transfer	**-**	**-**	**(101,651)**	**-**	**-**	**101,651**	**-**	**-**	**-**
Contributions from non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**834**	**834**
Total translations with owners,							**-**		**-**
recognised directly in equity	**380,812**	**17,066**	**(101,651)**	**-**	**-**	**101,651**	**397,878**	**834**	**398,712**
At 31 December 2017	**2,794,067**	**(1,120,438)**	**-**	**13,294**	**39,262**	**(1,615,474)**	**110,711**	**829**	**111,540**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

The Group

	Share capital RMB'000	Capital reserve RMB'000	Convertible loans reserve RMB'000	Currency translation reserve RMB'000	Statutory reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2016	2,413,255	(1,137,504)	101,651	29,805	39,262	(1,844,232)	(397,763)
Total comprehensive income for the year							
Loss for the year	-	-	-	-	-	(62,236)	(62,236)
Other comprehensive income							
Foreign currency translation differences	-	-	-	(30,799)	-	-	(30,799)
Total comprehensive income for the year	-	-	-	(30,799)	-	(62,236)	(93,035)
At 31 December 2016	2,413,255	(1,137,504)	101,651	(994)	39,262	(1,906,468)	(490,798)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2017

	Note	**Year ended 31 December 2017 RMB'000**	Year ended 31 December 2016 RMB'000
Cash Flows from Operating Activities			
Profit/(Loss) before taxation			
Continuing operations		**189,639**	(61,917)
Discontinued operations		**(301)**	(319)
		189,338	(62,236)
Adjustments for:			
(Gain)/loss arising from changes in fair value less costs to sell of biological assets	10	**(8,062)**	1,754
Depreciation of property, plant and equipment	4	**14,698**	26,728
Gain on redemption of convertible loans		**(179,517)**	-
(Gain)/loss on disposal of property, plant and equipment	19,20	**(89,157)**	4
Gain on disposal of prepaid leases		**(4,361)**	-
Impairment loss on other investment	6	**17,066**	-
(Reversal of)/impairment loss on property, plant and equipment	4	**(22,962)**	9,142
Amortisation of prepaid leases	5	**28**	58
(Reversal of)/impairment loss on prepaid leases	5	**(5,043)**	83
Impairment loss on other receivables		**-**	44
Bad debts on other receivables written back		**(8,450)**	-
Unrealised foreign exchange loss/(gain)		**23,766**	(6,604)
Interest income	19	**(535)**	(1)
Interest expense	21	**17,821**	17,791
Operating loss before working capital changes		**(55,370)**	(13,237)
Change in inventories		**94**	(70)
Change in trade receivables		**11**	63
Change in other receivables and deposits		**4,183**	(193)
Change in biological assets		**12,649**	5,568
Change in trade payables		**(458)**	14
Change in other payables		**9,046**	6,245
Cash used in operations		**(29,845)**	(1,610)
Interest received		**535**	1
Net cash used in operating activities		**(29,310)**	(1,609)
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment		**(9,554)**	(890)
Proceeds from disposal of property, plant and equipment		**173,378**	7
Proceeds from disposal of prepaid leases		**9,493**	-
Capital injection from non-controlling interests		**834**	-
Net cash generated/(used in) from investing activities		**174,151**	(883)

	Note	**Year ended 31 December 2017 RMB'000**	Year ended 31 December 2016 RMB'000
Cash Flows from Financing Activities			
Proceeds from issue of shares		**2,996**	-
Proceeds from borrowings		**23,534**	9,789
Repayments to borrowings		**(4,103)**	-
Redemption of convertible bonds		**(62,578)**	-
Net cash (used in)/generated from financing activities		**(40,151)**	9,789
Net increase in cash and cash equivalents		**104,690**	7,297
Effect of cash and cash equivalent denominated in foreign currencies		**(71)**	39
Cash and cash equivalents at beginning of year		**9,545**	2,209
Cash and cash equivalents at end of year	11	**114,164**	9,545

Significant non-cash transactions:

During the current financial year, the Company issued:

- 1,215,189,874 new ordinary shares in settlement of loans of RMB23,414,634 from investors (the "Investors");
- 8,394,946,406 new ordinary shares to the Investors which had assumed a portion of the convertible loans (Note 17), third party loans, outstanding directors' fees and professional fees payable from the Company amounting to RMB155,476,024 , RMB5,853,659, RMB282,215 and RMB144,380 , respectively;
- 9,277,821,684 new ordinary shares in settlement of RMB177,330,137 of the convertible loans (Note 17);
- 173,748,871 new ordinary shares to current and former directors of the Company in settlement of the directors' fees of RMB3,347,844; and
- 621,124,017 new ordinary shares to a vendor in settlement of outstanding fees of RMB11,967,999.

The following is the disclosures of the reconciliation of liabilities arising from financing activities, excluding equity items:

		-------------Cash flows------------		---------------------------Other non-cash flows-----------------------				
	As at 1 January 2017	Proceeds from loans	Repayment of loans	Accrual of interest	Repayment of loans in shares	Gain on redemption of convertible loans	Foreign exchange movement	As at 31 December 2017
	RMB'000	RMB'000	RMB'000		RMB'000		RMB'000	RMB'000
Loans and borrowings	15,965	23,534	(4,103)	-	(32,264)	-	252	3,384
Convertible loans plus associated accrued interest and derivative liability	549,634	-	(62,578)	17,726	(334,681)	(179,517)	9,416	-

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

The Company was incorporated as a limited liability company and domiciled in Singapore.

The registered office is located at 31 Harrison Road #11-03/04 Food Empire Building, Singapore 369649.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are stated in Note 6.

2(a) Going concern

The financial statements have been prepared on a going concern basis. The Group reported net operating cash outflows of RMB29,301,000 (2016: RMB1,609,000) for the financial year ended 31 December 2017; and as at that date, the Company's current liabilities exceeded its current assets by RMB65,538,000 (2016: RMB524,891,000).

As at 31 December 2017, the Group's current assets exceeded its current liabilities by RMB23,881,000 (2016: the Group's current liabilities exceeded its current assets by RMB599,679,000).

As at 31 December 2017, the Company's current liabilities included amounts due to wholly-owned subsidiaries of RMB102,489,000. Excluding this amount, the Company's current liabilities would have been RMB11,451,000 compared to current assets of RMB48,402,000 as at 31 December 2017. The directors of the Company have the power and authority to manage the payment obligations to the said wholly-owned subsidiaries if the need ever arises.

The Group continues to implement measures to improve the operating performance and profitability to generate positive cash flows from its operations. In this regard, management have prepared a cash flow projection, which shows the Group will have adequate working capital for its operations and to meet its obligations as and when they fall due in the next twelve months after the balance sheet date.

Accordingly, management considers it appropriate that these financial statements are prepared on a going concern basis.

2(b) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Accounting Standards Council. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Renminbi ("RMB"). All financial information is presented in RMB thousands ("RMB'000"), unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

2(b) Basis of preparation (Contd)

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant judgements in applying accounting policies

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the respective entities in the Group, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the local management's assessment of the economic environment in which the entities operate and the respective entities' process of determining sales prices.

Classification of prepaid leases for land use rights (Note 5)

Within the People's Republic of China ("PRC"), it is the practice for the State to issue land use rights to individuals or entities. Such rights are evidenced through the granting of a land use rights certificate, which gives the holder the right to use the land (including the construction of buildings thereon) for a given length of time. An upfront payment is made for this right. Management exercises its judgement that the substance of these arrangements is an operating lease over the land, and that the upfront payment represents prepaid lease rentals. As such a prepayment is recognised in the consolidated statement of financial position, analysed between current and non-current assets which represent amounts to be utilised within and after 12 months of the end of each reporting period respectively. The prepayment is amortised to spread the lease cost over the duration of the term of the land use rights, as specified in the land use rights certificate.

Income taxes

The Group has exposure to income taxes in the PRC. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made. The current tax payable of the Group at the reporting date amounted to RMB23,948,000 (2016 – RMB23,948,000).

As at 31 December 2017, the Group did not recognise deferred tax assets in relation to unutilised tax losses amounting to RMB365,766,000 (2016 – RMB548,326,000) due to uncertainty over which future taxable profit will be available against which the Group can utilise such benefit.

2(b) Basis of preparation (Cont'd)

Significant judgements in applying accounting policies (Cont'd)

Consolidation

Entities are included within the financial statements of the Group where the Group has control over the entities. Control arises from exposure, or rights, to variable returns from involvement with an entity, where the Group has the ability to affect those returns through its power over the entity. Judgement is applied by management in assessing whether control exists. Judgement is applied in determining the relevant activities of each entity and determining whether the Group has power over these activities. This involves assessment of the purpose and design of the entity, identification of the activities which significantly affect that entity's returns and how decisions are made about those activities. In assessing how decisions are made, management considers voting and veto rights, contractual arrangements with the entity or other parties, and any rights or ability to appoint, remove or direct key management personnel or entities that have the ability to direct the relevant activities of the entity. Consideration is also given to the practical ability of other parties to exercise their rights. When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

During the current financial year, the Group acquired 60% equity interest in Oceanus Australia Abalone World Pty Ltd for a consideration of RMB17,066,000. Although the Group holds 60% equity interest in the investee, management has assessed that the Group neither has control nor significant influence over the investee as it does not have the power to participate in the financial and operating policy decisions of the investee. This investment is therefore accounted for on a cost basis.

Critical accounting estimates and assumptions used in applying accounting policies

Impairment of non-financial assets (Notes 4, 5, 6)

Property, plant and equipment, prepaid leases and subsidiaries are reviewed to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss or indications that an impairment loss recognised in prior periods may no longer exist or may have decreased as at the end of the reporting period. If any such indication exists, the assets are tested for impairment. The recoverable amount of the assets is estimated in order to determine the extent of the impairment loss or reversal of impairment loss, if any.

The recoverable amount of property, plant and equipment and prepaid leases was based on fair value less cost to sell which was higher than value in use. Valuations were performed by an independent professional valuer to determine the fair value less cost to sell of the Group's property, plant and equipment and prepaid leases. The determination of fair values include use of unobservable inputs. Because of the inherent valuation uncertainty, those estimated fair values may differ significantly from actual results, and those differences could be material.

Details of impairment tests of property, plant and equipment, and land use rights are disclosed in Note 4.

The carrying amounts of property, plant and equipment, prepaid leases and investments in subsidiaries are RMB81,868,000 (2016 – RMB154,645,000), RMB6,018,000 (2016 – RMB6,183,000), and RMB81,489,000 (2016 – RMB157,559,000) respectively.

2(b) Basis of preparation (Cont'd)

Critical accounting estimates and assumptions used in applying accounting policies (Cont'd)

Useful lives of property, plant and equipment (Note 4)

Property, plant and equipment and prepaid leases are depreciated on a straight-line basis over their estimated useful lives. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment of the Group at the end of the reporting period amounted to RMB81,868,000 (2016 – RMB154,645,000). If depreciation on the Group's property, plant and equipment increases/decreases by 5% from management's estimate, the Group's profit for the year will decrease by approximately RMB500,000 (2016 – loss for the year will increase by approximately RMB1,336,000).

Impairment of loans and receivables (Notes 8 and 9)

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

The carrying amount of trade and other receivables (Note 29) of the Group at the reporting date is RMB9,054,000 (2016 – RMB4,824,000). If the present value of estimated future cash flows decrease/increase by 2% from management's estimates, the Group's profit for the year will decrease by RMB181,000 (2016 – loss for the year will increase by approximately RMB96,000).

Biological assets (Note 10)

The value of biological assets is measured based on the market approach and cost approach for abalones with different sizes, depending on the marketability and availability of market prices.

The fair value calculation also includes estimates of production cost and normal cost of sale. The determination of fair values include use of unobservable inputs. Because of the inherent valuation uncertainty, those estimated fair values may differ significantly from actual results, and those differences could be material. The fair value adjustment of biological assets has no cash impact.

As at 31 December 2017, the carrying amounts of biological assets is RMB3,234,000 (2016 – RMB6,404,000).

2(c)(i) Interpretations and amendments to published standards effective in 2017

On 1 January 2017, the Group has applied the new and revised standards, amendments and interpretation of FRSs that are mandatory for application from that date.

Reference	**Description**
Amendments to FRS 7	*Statement of Cash Flows*
Amendments to FRS 12	*Recognition of Deferred Tax Assets for Unrecognised losses*

2(c)(i) Interpretations and amendments to published standards effective in 2017 (Cont'd)

Amendments to FRS 7 *Statement of Cash Flows*

The Amendments to FRS 7 *Statement of Cash Flows* require entities to reconcile cash flows arising from financing activities as reported in the statement of cash flows – excluding contributed equity – to the corresponding liabilities in the opening and closing statements of financial position and to disclose any restrictions over the decisions of an entity to use cash and cash equivalent balances, in particular way - e.g. any tax liabilities that would arise on repatriation of foreign cash and cash equivalent balances. These amendments are effective for the financial period beginning on or after 1 January 2017. As this is a disclosure standard, there is no impact to the financial position and performance of the Group.

Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

The adoption of these new or amended FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

2(c)(ii) SFRS(I) not yet effective

Convergence with International Financial Reporting Standards (IFRS)

On 29 December 2017, Accounting Standards Council Singapore has issued Singapore Financial Reporting Standards (International) (SFRS(I)s), Singapore's equivalent of the International Financial Reporting Standards (IFRSs). Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore are required to apply SFRS(I)s for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary assessment of the impact of SFRS(I) for the transition to the new reporting framework. Based on the Group's preliminary assessment, the Group does not expect to change its existing accounting policies on adoption of the new framework.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements. For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Group and the Company in future financial periods, the Group assessed the transition options and the potential impact on its financial statements, and to implement these standards.

Reference	**Description**	**Effective date (Annual periods beginning on)**
SFRS(I) 9	*Financial Instruments*	1 January 2018
SFRS(I) 15	*Revenue from Contracts with Customers*	1 January 2018
SFRS (I) INT 22	*Foreign Currency Transactions and Advance Consideration*	1 January 2018
SFRS(I) 16	*Leases*	1 January 2019

2(c)(ii) SFRS(I) not yet effective (Cont'd)

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 *Financial Instruments* replaces the FRS 39 and it is a package of improvements introduced by SFRS(I) 9 which include a logical model for:

- Classification and measurement;
- A single, forward – looking "expected loss" impairment model and
- A substantially reformed approach to hedge accounting

SFRS(I) 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Loans and receivables currently accounted for at amortised cost will continue to be accounted for using amortised cost model under SFRS (I) 9.

Impairment – The Group plans to apply the 12- month approach and record lifetime expected impairment losses on all trade receivables.

The Group is currently performing a detailed analysis under SFRS (I) 9 which will result in changes to the accounting policies relating to the impairment provisions of financial assets and liabilities. Management will consider whether the 12 – month or lifetime expected credit losses on financial assets and liabilities should be recognised, which is dependent on whether there has been a significant increase in the credit risk of the assets and liabilities from initial recognition to the date of initial application of SFRS (I) 9. Additional disclosures will also be made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new SFRS (I) 9.

SFRS(I) 15 *Revenue Contracts with Customers*

SFRS(I) 15 *Revenue from Contracts with Customers* establishes a framework for determining when and how to recognise revenue. The objective of the standard is to establish the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. It established a new five-step model that will apply to revenue arising from contracts with customers. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer.

The standard replaces FRS 11 *Construction Contracts*, FRS 18 *Revenue*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for Construction of Real Estate*, INT FRS 118 *Transfer of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions involving Advertising Services.* The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall into the scope of other standards.

The standard clarifies how to:

- Identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract
- Determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided)
- Determine whether the revenue from granting a licence should be recognised at a point in time or over time.

2(c)(ii)SFRS(I) not yet effective (Cont'd)

SFRS(I) 15 *Revenue Contracts with Customers (Cont'd)*

SFRS(I) 15 is effective for annual periods beginning on or after 1 January 2018. The Group does not expect significant changes to the basis of revenue recognition for its revenue arising from adoption of this new standard. However, additional disclosures may be required to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

SFRS (I) INT 22 *Foreign Currency Transactions and Advance Consideration*

This Interpretation provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance.

The Interpretations are effective from 1 January 2018. On initial application, entities would have the option of applying the Interpretations either retrospectively or prospectively in accordance with SFRS(I) 1- 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Group is currently assessing the impact to the consolidated financial statements.

SFRS(I) 16 *Leases*

SFRS(I) 16 *Leases* replaces accounting requirements introduced more than 30 years ago in accordance with FRS 17 *Leases* that are no longer considered fit for purpose, and is a major revision of the way in which companies where it is required lessees to recognise most leases on their balance sheets. Lessor accounting is substantially unchanged from current accounting in accordance with FRS 17. SFRS(I) 16 *Leases* will be effective for accounting periods beginning on or after 1 January 2019. Early adoption will be permitted, provided the company has adopted SFRS(I) 15.

2(d) Summary of significant accounting policies

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Consolidation of the subsidiaries in the People's Republic of China ("PRC") is based on the subsidiaries' financial statements prepared in accordance with FRS. Profits reflected in the financial statements prepared in accordance with FRS may differ from those reflected in the PRC statutory financial statements of the subsidiary, prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profit available for distribution by the PRC subsidiaries are based on the amounts stated in the PRC statutory financial statements.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intragroup transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

2(d) Summary of significant accounting policies (Cont'd)

Consolidation (Cont'd)

Subsidiary

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the Group controls an investee if and only if the Group has all of the following:
- power over the investee;
- exposure, or rights or variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:
- The size of the Group's holding of the voting rights relative to the size and dispersion of holdings of other vote holders;
- Potential voting rights held by the Group, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant authorities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

In the Company's separate financial statements, shares in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

Non-controlling interest

Non-controlling interest represents the equity in subsidiary not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in ownership interests in subsidiaries without change of control

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

Changes in ownership interests in subsidiaries resulting in loss of control

When the Group loses control of a subsidiary, it:
- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained; and
- Recognises any gain or loss in profit or loss.

2(d) Summary of significant accounting policies (Cont'd)

Consolidation (Cont'd)

Changes in ownership interests in subsidiaries resulting in loss of control (Cont'd)

A gain or loss is recognised in profit or loss and is calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
(ii) the previous carrying amounts of the assets and liabilities of the subsidiary and any non-controlling interest.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRS).

The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amount of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition-date carrying value of the acquirer's previously-held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

Bargain purchase

If the total consideration transferred, non-controlling interest recognised and previously-held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

2(d) Summary of significant accounting policies (Cont'd)

Functional and presentation currencies

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of the Company is Singapore Dollars.

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Renminbi. The choice of presentation currency is to better reflect the currency that mainly determines economic effects of transactions, events and conditions of the Group.

Conversion of foreign currencies

<u>Foreign currency transactions and balances</u>

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the date of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of reporting period are recognised in the profit or loss, unless they arise from borrowings in foreign currencies and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to the profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the translations.

<u>Group entities</u>

The results and financial position of all the Group entities *(none of which has the currency of a hyperinflationary economy)* and the Company that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities (including comparatives) are translated at the closing exchange rates at the end of reporting period;
(ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of transactions; and
(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve.

Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

2(d) Summary of significant accounting policies (Cont'd)

Property, plant and equipment and depreciation (Cont'd)

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

Depreciation is computed on a straight-line basis over the estimated useful life of the assets as follows:

Buildings and farm structures	10 to 30 years
Leasehold improvements	3 to 15 years
Plant and machinery	3 to 10 years
Office equipment	3 to 8 years
Vehicles	4 to 8 years

Assets under construction are not depreciated.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the consolidated income statement in the year the asset is derecognised.

Prepaid leases

Prepaid leases represent upfront payments to acquire long-term interest in the usage of land and payments in advance for leasing farms, which are stated at cost and are amortised over the period of the lease on a straight-line basis to profit or loss.

Prepaid leases which are to be amortised in the next twelve months or less are classified as current assets.

Financial assets

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date - the date on which the Company and the Group commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

De-recognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

2(d) Summary of significant accounting policies (Cont'd)

Financial assets (cont'd)

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

The Group and the Company do not hold any financial assets at fair value through profit or loss, available-for-sale investments or held-to-maturity investments.

Investment in unquoted equity securities where the Group has neither control nor significant influence over the investee is stated at cot less impairment losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of reporting period. These are classified as non-current assets.

Loans and receivables include trade and other receivables (excluding prepayment) and cash and bank balances. They are subsequently measured at amortised cost using the effective interest method, less allowance for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write-back is recognised in the consolidated income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances.

Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

(a) represents a separate major line of business or geographical area of operations; or
(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) is a subsidiary acquired exclusively with a view to resale.

Results from operations qualifying as discontinued operations are presented separately as a single amount on the income statement.

2(d) Summary of significant accounting policies (Cont'd)

Biological assets

Biological assets are measured at their fair value less costs to sell or at cost for abalones with different sizes, depending on the availability of market prices and the commencement of revenue-generating process.

The fair value assessed using the market approach is based on contracted selling prices. Where contracted selling prices are not available, recent market prices for similar assets with adjustments made thereto to reflect the condition and utility of the appraised assets relative to the market comparative are used.

The cost approach is used where market prices or other reliable indicators of prices for biological assets are not available.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profit, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Non-derivative financial liabilities

The Group's financial liabilities include trade and other payables, convertible loans and loans and borrowings excluding advances from customers and other taxes payable.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance cost" in the profit or loss. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2(d) Summary of significant accounting policies (Cont'd)

Non-derivative financial liabilities (Cont'd)

Borrowings

Borrowings are recognised initially at the fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the profit or loss over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Borrowings which are due to be settled within 12 months after the end of the reporting period are included in current borrowings in the statement of financial position even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the reporting period. Borrowings to be settled within the Group's normal operating cycle are classified as current. Other borrowings due to be settled more than twelve months after the end of the reporting period are included in non-current borrowings in the statement of financial position.

Convertible loans

Convertible loan is regarded as compound instrument, consisting of a liability component and an equity component. The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a non-current liability on an amortised cost basis until extinguished upon conversion or at the instrument's maturity date. The equity component attributable to the warrants is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This balance is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. An appropriate amount is transferred to the share capital account as and when the warrants are exercised.

Trade and other payables

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

The Group does not trade derivative financial instruments for speculative purposes.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value, and attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

2(d) Summary of significant accounting policies (Cont'd)

Determination of fair value of financial instruments

The fair values of quoted financial instruments are based on current bid prices. If the market for a financial instrument is not active or is unquoted, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs. Where fair value of unquoted instruments cannot be measured reliably, fair value is determined by the transaction price.

Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the financial position; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the date of the financial position, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authorities on the same taxable entity, or on different tax entities, provided they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

2(d) Summary of significant accounting policies (Cont'd)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee - operating lease

Rentals on operating leases are charged to profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in profit or loss when incurred.

The land use rights held by the Group are regarded as operating leases. The amounts paid for these rights are treated as lease prepayments and are amortised over the lease terms.

Contingent rents are mainly determined as a percentage of revenue in excess of a specified amount during the month. They are charged to the profit or loss when incurred.

The Group as lessor - operating lease

Assets leased out under operating leases are included in property, plant and equipment and are stated at cost. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to define contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and senior managers are considered key management personnel.

2(d) Summary of significant accounting policies (Cont'd)

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:
  - (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:
  - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) both entities are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units are charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

2(d) Summary of significant accounting policies (Cont'd)

Impairment of non-financial assets (Cont'd)

Any impairment loss is charged to the profit or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. A reversal of an impairment loss is recognised as income in profit or loss.

Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the asset.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, which comprise warrants and number of shares to be issued upon redemption of convertible loans.

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Executive Officer has been identified as the chief operating decision-maker who makes strategic resources allocation decisions.

Revenue recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, estimated customer returns, rebates and other similar allowances.

<u>Sale of goods</u>

Revenue from sales of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the aquacultural products and processed marine products;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

<u>Interest income</u>

Interest income is recognised on a time-apportionment basis using the effective interest rate method.

3 Revenue

Significant categories of revenue, excluding inter-company transactions and applicable goods and services tax, are detailed as follows:

The Group	**2017 RMB'000**	2016 RMB'000
Continuing operations:		
Sales of live marine products	**17,629**	5,932
Sales of processed marine products	**2,501**	4,443
Sales of Consultancy	**615**	-
	20,745	10,375

4 Property, plant and equipment

The Group	Buildings and farm structures RMB'000	Leasehold improvement RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Vehicles RMB'000	Assets under construction RMB'000	Total RMB'000
Cost							
At 1 January 2016	723,239	3,312	101,444	2,408	591	32,379	863,373
Additions	-	877	-	10	3	-	890
Disposals	-	-	(12)	-	(196)	-	(208)
At 31 December 2016	**723,239**	**4,189**	**101,432**	**2,418**	**398**	**32,379**	**864,055**
Additions	**4,188**	**13**	**30**	**230**	**202**	**-**	**4,663**
Disposals	**(282,923)**	**-**	**(55,986)**	**(803)**	**(357)**	**-**	**(340,069)**
At 31 December 2017	**444,504**	**4,202**	**45,476**	**1,845**	**243**	**32,379**	**528,649**
Accumulated depreciation							
At 1 January 2016	292,563	1,809	64,593	1,525	210	-	360,700
Depreciation charge	27,690	347	6,604	49	59	-	34,749
Disposals	-	-	(12)	-	(185)	-	(197)
At 31 December 2016	**320,253**	**2,156**	**71,185**	**1,574**	**84**	**-**	**395,252**
Depreciation charge	**14,037**	**223**	**1,924**	**30**	**19**	**-**	**16,233**
Disposals	**(157,678)**	**-**	**(52,607)**	**(692)**	**(61)**	**-**	**(211,038)**
At 31 December 2017	**176,612**	**2,379**	**20,502**	**912**	**42**	**-**	**200,447**
Accumulated impairment							
At 1 January 2016	245,661	1,503	24,440	784	249	32,379	305,016
Impairment loss for the year	8,593	-	630	-	(81)	-	9,142
At 31 December 2016	**254,254**	**1,503**	**25,070**	**784**	**168**	**32,379**	**314,158**
Reversal of impairment loss for the year	**(17,237)**	**-**	**(5,678)**	**(47)**	**-**	**-**	**(22,962)**
Disposals	**(43,591)**	**-**	**(1,052)**	**(51)**	**(168)**	**-**	**(44,862)**
At 31 December 2017	**193,426**	**1,503**	**18,340**	**686**	**-**	**32,379**	**246,334**
Carrying amount							
At 31 December 2017	**74,466**	**320**	**6,634**	**247**	**201**	**-**	**81,868**
At 31 December 2016	148,732	530	5,177	60	146	-	154,645

4 Property, plant and equipment (Cont'd)

Depreciation charge for the year capitalised in biological assets was RMB1,535,000 (2016: RMB8,021,000).

Impairment testing

The recoverable amount of the Group's property, plant and equipment, and prepaid leases, was based on the cash-generating unit's (the "CGU") fair value less costs to sell, which was higher than value-in-use, as determined by an independent professional valuer with recognised and relevant professional qualifications and experience within the local market and the category of properties to be valued. The determination of fair values include use of unobservable inputs.

The fair value less cost to sell of property and plant and machinery (Level 3 fair value hierarchy) was determined based on the cost approach. The cost approach is based on the cost to reproduce or replace under new condition with current market prices for similar assets, with allowance for accrued depreciation arising from the conditions, utility, age, wear and tear, or obsolescence present (physical, functional or economic).

The fair value less cost to sell of prepaid leases (Level 3 fair value hierarchy) was determined based on the market approach. The market approach is based on sale in their existing states with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market, subject to allowance for variable adjustment factors. The determination of fair value less cost to sell includes use of unobservable inputs.

During the financial year ended 31 December 2017, the Group recognised a reversal of impairment loss of RMB22,962,000 (2016: impairment loss of RMB9,142,000), and RMB5,043,000 (2016: impairment loss of RMB83,000) on property, plant and equipment and prepaid leases, respectively, mainly due to asset reconditioning via repair and maintenance.

5 Prepaid leases

The Group	Land use rights RMB'000	Prepayment for lease of land RMB'000	Total RMB'000
At 1 January 2016	5,140	1,356	6,496
Impairment loss for the year	-	(83)	(83)
Amortisation for the year	(175)	(55)	(230)
At 31 December 2016	4,965	1,218	6,183
Amortisation for the year	**(4)**	**(24)**	**(28)**
Disposals	**(4,842)**	**(338)**	**(5,180)**
Reversal of impairment loss for the year	**117**	**4,926**	**5,043**
At 31 December 2017	**236**	**5,782**	**6,018**

The Group	**2017 RMB'000**	2016 RMB'000
Non-current portion	**5,791**	6,007
Current portion included as prepayment under current assets (Note 9)	**227**	176
Total	**6,018**	6,183

Amortisation for the year capitalised in biological assets was RMB3,000 (2016: RMB172,000).

The Group's business of cultivation and sale of abalone is attributable to the live marine products cash-generating unit (the "CGU"). Impairment test for prepaid leases is set out in Note 4.

6 Subsidiaries

The Company	2017 RMB'000	2016 RMB'000
Unquoted equity shares, at cost	**1,405,048**	1,405,042
Less: Accumulated impairment loss		
At 1 January	**1,247,483**	1,229,559
Amount recognised during the year	**76,076**	17,924
At 31 December	**1,323,559**	1,247,483
	81,489	157,559

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Percentage of equity held 2017 %	2016 %	Principal activities
Held by the Company				
Oceanus Aquaculture Group Pte. Ltd. [(a)]	Singapore	**100**	100	Investment holding
Oceanus Food Group Pte. Ltd. [(a)]	Singapore	**100**	100	Investment holding and trading of canned abalone
Oceanus Food Group Limited [(b)]	Hong Kong	**100**	100	Investment holding
Oceanus Tech Pte Ltd [(a)]	Singapore	**100**	-	Operation of fish hatcheries, fish farms and fishery research services
Subsidiary held through Oceanus Aquaculture Group Pte. Ltd.				
Oceanus (China) Aquaculture Co., Ltd [(b)]	People's Republic of China	**100**	100	Aquaculture production and abalone farming and sale of products
Subsidiaries held through Oceanus Food Group Limited				
Zhangzhou Oceanus Food Co., Ltd [(b)]	People's Republic of China	**100**	100	Inactive
Subsidiaries held through Oceanus Food Group Pte. Ltd.				
Oceanus Australia Abalone World (S) Pte Ltd [(a)]	Singapore	**60**		Trading abalone products
Oceanus (Shanghai) Restaurant Management Co., Ltd [(b)]	People's Republic of China	**100**	100	Inactive
Oceanus Food (Hong Kong) Company Limited [(b)]	Hong Kong	**100**	100	Inactive
Oceanus (Singapore) Restaurant Management Pte Ltd [(a)]	Singapore	**100**	100	Inactive
Oceanus (Taiwan) Restaurant Limited Company [(b)]	Taiwan	**100**	100	Inactive

6 Subsidiaries (Cont'd)

Name	Country of incorporation/ principal place of business	Percentage of equity held 2017 %	2016 %	Principal activities
Subsidiary held through Oceanus (China) Aquaculture Co., Ltd.				
Xiamen Oceanus Import and Export Ltd [b]	People's Republic of China	**75**	-	Trading and distribution
Subsidiary held through Oceanus (Shanghai) Restaurant Management Co., Ltd				
Shanghai Oceanus Wujiang Road Restaurant Co., Ltd [b][c]	People's Republic of China	**100**	100	Inactive

[a] Audited by Foo Kon Tan LLP
[b] Audited by Foo Kon Tan LLP for consolidation purposes
[c] The subsidiary has ceased operation and is in the process of liquidation and deregistration since 2011

Impairment testing

During the financial year, management carried out a review of the recoverable amount of its subsidiaries for which impairment indicators had been identified and recognised an impairment loss of RMB76,076,000 (2016: RMB17,924,000). The recoverable amount of the subsidiaries other than Oceanus Australia Abalone World Pty Ltd was determined based on fair value less costs to sell (Level 3 fair value hierarchy), as determined by an independent professional valuer based on the market value and cost approach, which was higher than value-in-use. The determination of fair value includes use of unobservable inputs. Further details of the determination of the recoverable amount is set out in Note 4.

Summarised financial information in respect of the Group's subsidiaries that have non-controlling interests (NCI) is not presented as these NCIs are not material to the Group's financial statements.

6.1 Other investment

The Group and the Company	**2017 RMB'000**	2016 RMB'000
Unquoted equity shares, at cost		
At 1 January	-	-
Addition	**17,066**	-
At 31 December	**17,066**	-
Less: Accumulated impairment loss		
At 1 January	**-**	-
Amount recognised during the year	**(17,066)**	-
At 31 December	**(17,066)**	
	-	-

On 27 July 2017, the Group acquired 60% equity interest in Oceanus Australia Abalone World Pty Ltd (the "Investee") for a consideration of RMB17,066,000 paid for by a shareholder with his shares in the Company. This transaction was accounted for as a transaction with a shareholder and the consideration paid was recognised directly within equity.

6.1 Other investment (Cont'd)

The acquisition is in line with the Group's strategy to establish its business presence in processing of canned abalones.

The Group does not have access to the accounting records of the Investee. Management has assessed that the Group neither has control nor significant influence over the Investee as it does not have the power to participate in the financial and operating policy decisions of the Investee. Consequently, this investment is stated in the consolidated statement of financial position at cost.

The Group has recognised an impairment loss on the cost of investment of RMB17,066,000 for the year ended 31 December 2017 on the grounds of no control over and no access to the financial information of the Investee.

7 Inventories

The Group	**2017 RMB'000**	2016 RMB'000
Inventories, at cost	**86**	180

8 Trade receivables

The Group	**2017 RMB'000**	2016 RMB'000
Third parties	**65,652**	65,663
Less: Impairment loss	**(65,652)**	(65,652)
	-	11

Trade receivables have credit terms of up to 60 days (2016 - up to 60 days).

An analysis of trade receivables at the reporting date is as follows:

The Group	**2017 RMB'000**	2016 RMB'000
Not past due and not impaired	**-**	11
Past due and impaired	**65,652**	65,652
	65,652	65,663
Impairment loss on trade receivables	**(65,652)**	(65,652)
	-	11

Movement in the impairment loss on trade receivables is as follows:

The Group	**2017 RMB'000**	2016 RMB'000
At 1 January and 31 December	**65,652**	65,652

Trade receivables are denominated in RMB. Refer to Note 29 for foreign currency risk and credit risk exposed.

9 Other receivables

	The Group		The Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current				
Non-trade amounts due from subsidiaries	**-**	-	**1,142,928**	1,105,388
Less: Impairment loss	**-**	-	**(1,133,021)**	(1,095,913)
	-	-	**9,907**	9,475
Other receivables	**8,957**	6,119	**-**	4,371
Less: Impairment loss	**-**	(1,401)	**-**	-
	8,957	4,718	**-**	4,371
Deposits	**97**	95	**-**	-
Loans and receivables	**9,054**	4,813	**-**	4,371
Prepaid leases				
- current portion (Note 5)	**227**	176	**-**	-
Prepayments	**11**	36	**-**	-
Total	**9,292**	5,025	**9,907**	13,846

Movement in impairment loss on other receivables

	The Group		The Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**1,401**	18,062	**1,095,913**	1,050,212
Allowance made (Note 20)	**-**	44	**20,903**	770
Allowance reversed	**-**	-	**-**	(2,953)
Allowance utilised	**(1,401)**	(16,705)	**-**	-
Exchange differences	**-**	-	**16,205**	47,884
At 31 December	**-**	1,401	**1,133,021**	1,095,913

The other receivables are denominated in the following currencies:

	The Group		The Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Renminbi	**9,114**	434	**-**	-
Singapore dollar	**148**	4,561	**9,907**	13,846
Hong Kong dollar	**5**	5	**-**	-
New Taiwan dollar	**25**	25	**-**	-
	9,292	5,025	**9,907**	13,846

10 Biological assets

The Group	2017 RMB'000	2016 RMB'000
At 1 January	**6,404**	2,418
Additions	**278**	364
Capitalisation of depreciation and amortisation	**1,538**	8,193
Capitalisation of employee benefits	**2,410**	1,992
Capitalisation feed costs and operating expenses	**2,171**	1,123
Disposals	**(17,629)**	(5,932)
Increase in fair value less costs to sell	**8,062**	(1,754)
At 31 December	**3,234**	6,404

The fair value of biological assets related to adult and juvenile abalones was determined by an independent firm of professional. The fair value was based on the market value, being the estimated amount for which an asset could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction.

The valuation is based on the market approach and cost approach for abalones with different sizes, depending on marketability and availability of market prices.

11 Cash and bank balances

	The Group		The Company	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Cash at bank	**114,164**	9,545	**38,495**	3,170
As per consolidated statement of cash flows	**114,164**	9,545	**38,495**	3,170

As at 31 December 2017, the Group had cash and bank balances of RMB70,827,000 (2016 - RMB4,742,000) placed with banks in the People's Republic of China ("PRC"). Conversion of RMB into foreign currencies is currently subject to the foreign exchange control regulations in PRC.

Cash and bank balances are denominated in the following currencies:

	The Group		The Company	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Renminbi	**70,827**	4,742	**-**	-
Singapore dollar	**42,111**	4,770	**38,479**	3,156
Hong Kong dollar	**-**	18	**-**	-
New Taiwan dollar	**18**	15	**16**	14
United States dollar	**1,208**	-	**-**	-
	114,164	9,545	**38,495**	3,170

12 Share capital

The Company	2017	2016	2017	2016
	Number of ordinary shares		RMB'000	RMB'000
Issued and fully paid, with no par value				
At 1 January	4,566,852,832	4,566,852,832	**2,413,255**	2,413,255
Issue of shares	19,730,068,631	-	**380,812**	-
At 31 December	24,296,921,463	4,566,852,832	**2,794,067**	2,413,255

The Company	2017 S$'000	2016 S$'000
Issued and fully paid share capital denominated in original currency:		
At 1 January	**475,840**	475,840
Issue of shares	**78,451**	-
At 31 December	**554,291**	475,840

S$ denotes Singapore dollars

The equity structure (number and amount of equity issued) of the Company and the Group represented that of the Company, being the legal parent for the purpose of reverse acquisition accounting.

Pursuant to a debt restructuring arrangement (the "Debt Restructuring") during the year ended 31 December 2017, the Company issued:

- 1,215,189,874 new ordinary shares in settlement of loans of RMB23,414,634 from investors (the "Investors");
- 8,394,946,406 new ordinary shares to the Investors which had assumed a portion of the convertible loans (Note 17), third party loans, outstanding directors' fees and professional fees payable from the Company amounting to RMB155,476,024 , RMB5,853,659, RMB282,215 and RMB144,380, respectively;
- 9,277,821,684 new ordinary shares in settlement of RMB177,330,137 of the convertible loans (Note 17);
- 173,748,871 new ordinary shares to current and former directors of the Company in settlement of the directors' fees of RMB3,347,844; and
- 621,124,017 new ordinary shares to a vendor in settlement of outstanding fees of RMB11,967,999.

During the year ended 31 December 2017, the Company issued 47,237,779 new ordinary shares to the financing shareholders upon their exercise of 47,237,779 warrants at an exercise price of S$0.013 per warrant for cash of RMB2,995,566 (Note 14).

13 Reserves

	The Group		The Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Capital reserve	**(1,120,438)**	(1,137,504)	**28,295**	11,229
Convertible loans reserve	**-**	101,651	**-**	101,651
Currency translation reserve	**13,294**	(994)	**(6,215)**	1,852
Statutory reserve	**39,262**	39,262	**-**	-
Accumulated losses	**(1,615,474)**	(1,906,468)	**(2,800,196)**	(2,947,090)
	(2,683,356)	(2,904,053)	**(2,778,116)**	(2,832,358)

Capital reserve

The Company's capital reserve comprises the excess of the fair value of the non-controlling interests in 2 subsidiaries over the purchase considerations for the acquisitions of these non-controlling interests during the financial year ended 31 December 2012.

The Group's capital reserve relates to the excess of purchase consideration over the fair value of the net assets of Oceanus Aquaculture Group Pte. Ltd. acquired under a reverse takeover in 2008.

Convertible loans reserve

The convertible loans reserve comprises relates to the equity component of the convertible loans issued in prior years. The convertible loans reserve was transferred to accumulated losses on settlement of the convertible loans during the financial year ended 31 December 2017.

Currency translation reserve

Currency translation reserve records exchange differences arising from the translation of the financial statements of Group entities whose functional currencies are different from that of the Group's presentation currency.

Statutory reserve

Pursuant to the relevant laws and regulations in the PRC applicable to foreign investment enterprise and the Articles of Association of subsidiaries of the Group, the subsidiaries are required to maintain statutory surplus reserve fund which is non-distributable. Appropriations to such reserve are made out of net profit after tax of the statutory financial statements of the subsidiaries. The subsidiaries are required to transfer at least 10% of its profit after tax as reported in its PRC statutory financial statements to the statutory surplus reserve fund until the balance reaches 50% of the registered capital of the respective subsidiary. The statutory surplus reserve fund may be used to make up prior year losses incurred and, with approval from relevant government authority, to increase capital.

14 Borrowings

The Group and the Company	**2017 RMB'000**	2016 RMB'000
Non-Current		
Shareholders (unsecured)[a]	**-**	1,894
Third parties		
- secured [b]	**-**	959
- unsecured[c]	**-**	4,796
	-	5,755
	-	7,649
Current		
Third parties		
- secured [b]	**-**	1,878
- unsecured[c]	**3,384**	6,438
	3,384	8,316
Total	**3,384**	15,965

(a) As at 31 December 2016, the loans from shareholders bore interest at 5% per annum, and were unsecured and repayable by 2 September 2020.

(b) As at 31 December 2016, the loans from third parties were interest-free and secured by all fixed assets of a farm.

(c) Loans from third parties are interest free, unsecured and repayable on demand.

Please refer to Note 29 for further details on interest rate risk and liquidity risk.

15 Trade payables

The Group	**2017 RMB'000**	2016 RMB'000
Third parties	**10,218**	10,676

Trade payables have average credit term of 30 days (2016: 30 days) and are denominated in RMB.

16 Other payables

	The Group		The Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts due to subsidiaries	**-**	-	**102,489**	1,900
Amount due to executive director	**-**	1,000	**-**	1,000
Other payables	**9,040**	-	**-**	-
Interest payable	**-**	50,147	**-**	50,147
Accrued expenses	**25,863**	47,298	**187**	15,453
Accrued staff costs	**18,075**	5,875	**1,640**	3,468
Fixed assets vendors	**-**	4,891	**-**	-
Advances from customers	**1,582**	3,076	**-**	-
Rental deposits	**3,444**	3,444	**-**	-
Other taxes payable	**7,341**	5,850	**6,240**	5,300
	65,345	121,581	**110,556**	77,268

The amounts due to the subsidiaries are unsecured, interest-free and repayable on demand.

Other payables include expenditure for repair of farm structures and advisory fees for land use rights.

Other payables are denominated in the following currencies:

	The Group		The Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Renminbi	**39,306**	27,527	**-**	-
Singapore dollar	**17,084**	85,095	**104,316**	71,968
Hong Kong dollar	**12**	13	**-**	-
New Taiwan dollar	**20**	20	**-**	-
*	**56,422**	112,655	**104,316**	71,968

* excludes advance from customers and other tax payables

17 Convertible loans

The Group and The Company	**2017** **RMB'000**	2016 RMB'000
Current		
Convertible loans	**-**	308,774
Non-Current		
Convertible loans	**-**	44,122
	-	352,896
At beginning of year	352,896	337,511
Transfer from accrued interest	67,758	-
Transfer from derivative liability (Note 18)	150,076	-
Redemption of convertible loans	(397,259)	-
Gain on redemption of convertible loans	(179,517)	-
Exchange difference on translation	6,046	15,385
At end of year	-	352,896

Pursuant to the Debt Restructuring, the convertible bonds were redeemed before maturity at a substantial discount for a consideration of RMB397,259,000. The redemption amount was satisfied by issue of new shares in the share capital of the Company of RMB334,681,000 and cash of RMB62,578,000 with a resultant gain on redemption of RMB179,517,000.

17 Convertible loans (Contd)

Management was of the view that it was reasonable to assume that the fair value of the convertible bonds was higher than the redemption amount at the redemption date which would arrive at the same gain on redemption.

At 31 December 2016, the convertible loans carried 2,971,069,187 warrants convertible by holders into new ordinary shares in the share capital of the Company at the conversion price of S$0.02167 per share. The 2,971,069,187 warrants were cancelled upon redemption of the convertible loans.

18 Derivative liability

The Group and The Company	**2017 RMB'000**	2016 RMB'000
At beginning of year	**147,549**	141,117
Exchange difference on translation	**2,527**	6,432
Transfer to convertible loans (Note 17)	**(150,076)**	-
At end of year	**-**	147,549

Derivative liability arose from redemption premium on the convertible loans (Note 17) whose fair value was not assessed since the year ended 31 December 2015.

19 Other operating income

	Continuing operations		Discontinued operations		Total	
The Group	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Rental income	**1,400**	448	**-**	-	**1,400**	448
Interest income	**525**	1	**10**	-	**535**	1
Government grants	**3**	512	**-**	-	**3**	512
Gain on redemption of convertible loans	**179,517**	-	**-**	-	**179,517**	-
Gain on disposal of property, plant	**-**	-	**-**	-	**-**	-
and equipment	**89,157**	-	**-**	-	**89,157**	-
Gain on disposal of prepaid leases	**4,361**	-	**-**	-	**4,361**	-
Bad debt on other receivables written back	**8,450**	-	**-**	-	**8,450**	-
Foreign exchange gain	**-**	6,604	**-**	-	**-**	6,604
Sundry income	**103**	916	**-**	89	**103**	1,005
	283,516	8,481	**10**	89	**283,526**	8,570

20 Other operating expenses

The Group	Continuing operations 2017 RMB'000	Continuing operations 2016 RMB'000	Discontinued operations 2017 RMB'000	Discontinued operations 2016 RMB'000	Total 2017 RMB'000	Total 2016 RMB'000
Professional fees	**12,062**	3,705	**304**	-	**12,366**	3,705
Operating lease expenses	**573**	641	**-**	-	**573**	641
Insurance expenses	**93**	71	**-**	-	**93**	71
Repair and maintenance	**9,067**	276	**-**	-	**9,067**	276
Travelling expenses	**844**	1,116	**-**	-	**844**	1,116
Asset decommissioning costs	**20,076**	-	**-**	-	**20,076**	-
Relocation costs	**5,047**	-	**-**	-	**5,047**	-
Loss on disposal of property, plant and equipment	**-**	4	**-**	-	**-**	4
Impairment loss on other receivables (Note 9)	**-**	44	**-**	-	**-**	44
Annual report fees	**1,023**	255	**-**	-	**1,023**	255
Consumables	**278**	417	**-**	-	**278**	417
Annual listing and related fees	**340**	763	**-**	-	**340**	763
Security protection service fees	**5**	1,001	**-**	-	**5**	1,001
Branding project fees	**-**	600	**-**	-	**-**	600
Foreign exchange loss	**23,766**	-	**3**	-	**23,769**	
Others	**1,217**	469	**4**	408	**1,221**	877
	74,391	9,362	**311**	408	**74,702**	9,770

21 Finance costs

The Group	Continuing operations 2017 RMB'000	Continuing operations 2016 RMB'000	Discontinued operations 2017 RMB'000	Discontinued operations 2016 RMB'000	Total 2017 RMB'000	Total 2016 RMB'000
Interest on convertible loans	**17,726**	17,696	**-**	-	**17,726**	17,696
Loans from shareholders	**95**	95	**-**	-	**95**	95
	17,821	17,791	**-**	-	**17,821**	17,791

22 Profit/(loss) before taxation

The following items have been included in arriving at profit/(loss) before taxation:

The Group	Continuing operations 2017 RMB'000	Continuing operations 2016 RMB'000	Discontinued operations 2017 RMB'000	Discontinued operations 2016 RMB'000	Total 2017 RMB'000	Total 2016 RMB'000
Audit fee						
- auditors of the Company	**635**	772	**-**	**-**	**635**	772
Non audit fees						
- other auditors	**319**	-	**-**	-	**319**	-
Employee benefit expenses:						
- Directors' fees	**647**	572	**-**	**-**	**647**	572
- Directors' salary of the company	**1,815**	2,073	**-**	**-**	**1,815**	2,073
- Salary of employees other than directors	**5,801**	3,706	**-**	**-**	**5,801**	3,706
- Defined contribution plans included in staff costs	**361**	809	**-**	**-**	**361**	809
- Other staff welfare	**486**	442	**-**	**-**	**486**	442
	9,110	7,602	**-**	**-**	**9,110**	7,602

23 Income tax expense

Tax has not been provided by the Group during the years ended 31 December 2017 and 2016 either for the continuing operations or the discontinued operation as the Group and the Company did not have taxable profit.

Reconciliation of effective tax rate

The Group	**2017 RMB'000**	2016 RMB'000
Profit/(loss) before taxation:		
- Continuing operations	**189,639**	(61,917)
- Discontinued operations	**(301)**	(319)
	189,338	(62,236)
Tax at statutory rate of 25% (2016 - 25%)	**47,335**	(15,559)
Tax effect on non-taxable income	**(61,739)**	-
Tax effect on non-deductible expenses	**5,174**	4,377
Effect of different tax rates of group entities operating in other jurisdictions	**(1,731)**	1,132
Deferred tax assets on losses not recognised	**10,961**	10,050
	-	-

Tax effect on non-taxable income comprise mainly gain on change in fair value less costs to sell of biological assets, gain on redemption of convertible loans, gain on disposal of property, plant and equipment and prepaid leases, reversal of impairment loss on property, plant and equipment and prepaid leases, and impairment loss on other investment.

Tax effect on non-deductible expenses comprise mainly losses not allowed for tax purposes.

The Group has unutilised tax losses as follows:

The Group	**2017 RMB'000**	2016 RMB'000
Unutilised tax losses	**365,766**	548,326

The tax losses are subject to agreement by the tax authority and compliance with tax regulations in the PRC in which the subsidiary operates. Deferred tax assets have not been recognised in respect of these tax losses because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

The unrecognised tax losses will expire as follows:

The Group	**2017 RMB'000**	2016 RMB'000
Year 2017	**-**	226,404
Year 2018	**178,849**	178,849
Year 2019	**88,633**	88,633
Year 2020	**14,240**	14,240
Year 2021	**40,200**	40,200
Year 2022	**43,844**	-
	365,766	**548,326**

24 Earnings/(loss) per share

The Group	2017 RMB'000	2016 RMB'000
Continuing operations	**189,639**	(62,236)
Discontinued operations	**(301)**	-
Profit/(loss) attributable to ordinary shareholders of the Company	**189,338**	(62,236)

The Group		
Weighted average number of ordinary shares used in the calculation of basic earnings/(loss) per share	**4,875,306,306**	4,566,852,832
Adjustments for potential dilutive shares due to warrrants	**-**	3,725,999,274
Weighted average number of ordinary shares used in the calculation of diluted earnings/(loss) per share	**4,875,306,306**	8,292,852,106

From continuing operations		
Earnings/(loss) per share (fen):		
- Basic	**3.89**	(1.36)
- Diluted	**3.89**	(1.36)

From discontinued operations		
Earnings/(loss) per share (fen):		
- Basic	**(0.01)**	-
- Diluted	**(0.01)**	-

Earnings/(loss) for the year		
Earnings/(loss) per share (fen):		
- Basic	**3.88**	(1.36)
- Diluted	**3.88**	(1.36)

25 Key management personnel compensations

The Group	2017 RMB'000	2016 RMB'000
Short-term benefits	**2,582**	2,646
Post-employment benefits	**90**	115
	2,672	2,761

26 Operating lease commitments (non-cancellable)

At the end of the reporting period, the Group was committed to making the following payments in respect of non-cancellable operating leases:

The Group as the lessee

The Group	2017 RMB'000	2016 RMB'000
Not later than one year	**551**	267
Later than one year and not later than five years	**371**	240
Later than five years	**-**	-

Operating lease payments represent rentals payable by the Group for certain plant and equipment and office premises.

26 Operating lease commitments (non-cancellable) (Cont'd)

The Group as the lessor

The Group	2017 RMB'000	2016 RMB'000
Not later than one year	**479**	546
Later than one year and not later than five years	**144**	623
Later than five years	**-**	-

27 Discontinued operations

During the financial year ended 31 December 2011, the Group ceased the operations of the food and beverage segment. During the financial year ended 31 December 2012, the Group ceased production of the Processed Marine Products operating segment in connection with a change in business strategy.

The Group	2017 RMB'000	2016 RMB'000
Other operating income (Note 19)	**10**	89
Other operating expenses (Note 20)	**(311)**	(408)
Loss before income tax	**(301)**	(319)
Income tax	**-**	-
Loss for the year	**(301)**	(319)

Cash flows (used in)/generated from discontinued operations

The Group	2017 RMB'000	2016 RMB'000
Net cash (used in)/generated from operating activities	**(2,906)**	3,470
Net cash flows for the year	**(2,906)**	3,470

28 Business and geographical segments

For management reporting purposes, the Group is organised into the following reportable operating segments as follows:

Live marine products	Cultivation and sale of abalone and others
Trading	Sales of processed marine product
Consultancy	Fish farming and acquiring technologies for aquaculture and fishery business
Others	Comprising mainly corporate office functions and investment in shares.

The Group Chief Executive Officer ("Group CEO") monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis

Segment information about the Group's continuing operation is presented below. Segment information about the Group's discontinued operations is presented in Note 27 to the financial statements.

28 Business and geographical segments (Cont'd)

All figures are in RMB'000	Live marine products 2017	Live marine products 2016	Trading 2017	Trading 2016	Investment holding 2017	Investment holding 2016	Consultancy 2017	Consultancy 2016	Total continuing operations 2017	Total continuing operations 2016	Discontinued operations 2017	Discontinued operations 2016	Total 2017	Total 2016
Revenue by segments														
External revenue	**17,629**	5,932	**2,501**	4,443	**-**	-	**615**	-	**20,745**	10,375	**-**	-	**20,745**	10,375
Result														
Segment result	**99,914**	(40,315)	**(10,832)**	(5,375)	**142,301**	(5,040)	**(160)**	-	**231,223**	(50,730)	**(298)**	(319)	**230,925**	(51,049)
Foreign exchange gain/(loss), net	**(1,589)**	116	**(144)**	-	**(22,030)**	6,488	**-**	-	**(23,763)**	6,604	**(3)**	-	**(23,766)**	6,604
Finance costs	**-**	-	**-**	-	**(17,821)**	(17,791)	**-**	-	**(17,821)**	(17,791)	**-**	-	**(17,821)**	(17,791)
Loss before taxation									**189,639**	(61,917)	**(301)**	(319)	**189,338**	(62,236)
Income tax expense									**-**	-	**-**	-	**-**	-
Profit/(Loss) for the year									**189,639**	(61,917)	**(301)**	(319)	**189,338**	(62,236)
Other information														
Gain arising from changes in fair value less costs to sell biological assets	**8,062**	9,554	-	-	**-**	-	**-**	-	**8,062**	9,554	**-**	-	**8,062**	9,554
Acquisition of property, plant and equipment	**(4,541)**	(4)	**(122)**	(886)	**-**	-	**-**	-	**(4,663)**	(890)	**-**	-	**(4,663)**	(890)
Depreciation of property, plant and equipment	**(14,458)**	(26,379)	**(240)**	(349)	**-**	-	**-**	-	**(14,698)**	(26,728)	**-**	-	**(14,698)**	(26,728)
Gain/(loss) on disposal of property, plant and equipment	**89,157**	(4)	**-**	-	**-**	-	**-**	-	**89,157**	(4)	**-**	-	**89,157**	(4)
Reversal of/(impairment loss) on property, plant and equipment	**22,962**	(9,142)	**-**	-	**-**	-	**-**	-	**22,962**	(9,142)	**-**	-	**22,962**	(9,142)
Amortisation of prepaid leases	**(28)**	(58)	**-**	-	**-**	-	**-**	-	**(28)**	(58)	**-**	-	**(28)**	(58)
Reversal of/(impairment loss) on prepaid leases	**5,043**	(83)	**-**	-	**-**	-	**-**	-	**5,043**	(83)	**-**	-	**5,043**	(83)
Gain on disposal of prepaid leases	**4,361**	-	**-**	-	**-**	-	**-**	-	**4,361**	-	**-**	-	**4,361**	-
Impairment loss on other investment	**-**	-	**17,066**	-	**-**	-	**-**	-	**17,066**	-	**-**	-	**17,066**	-
Impairment loss on other receivables	**-**	(44)	**-**	-	**-**	-	**-**	-	**-**	(44)	**-**	-	**-**	(44)
Bad debts on other receivables written back	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**8,450**	-	**8,450**	-
Gain on redemption of convertible loans	**-**	-	**-**	-	**179,517**	-	**-**	-	**179,517**	-	**-**	-	**179,517**	-

28 Business and geographical segments (Cont'd)

All figures are in RMB'000	Live marine products 2017	Live marine products 2016	Trading 2017	Trading 2016	Investment holding 2017	Investment holding 2016	Consultancy 2017	Consultancy 2016	Total continuing operations 2017	Total continuing operations 2016	Discontinued operations 2017	Discontinued operations 2016	Total 2017	Total 2016
Other information (Cont'd)														
Rental income	**1,400**	448	**-**	-	**-**	-	**-**	-	**1,400**	448	**-**	-	**1,400**	448
Interest income	**481**	1	**4**	-	**40**	-	**-**	-	**525**	1	**10**	-	**535**	1
Sundry income	**-**	630	**97**	60	**6**	226	**-**	-	**103**	916	**-**	89	**103**	1,005

Segment assets and liabilities

All figures are in RMB'000	Live marine products 2017	Live marine products 2016	Trading 2017	Trading 2016	Investment holding 2017	Investment holding 2016	Consultancy 2017	Consultancy 2016	Inter-segment eliminations 2017	Inter-segment eliminations 2016	Total continuing operations 2017	Total continuing operations 2016	Discontinued operations 2017	Discontinued operations 2016	Total 2017	Total 2016
Segment assets	**168,684**	167,090	**6,302**	2,861	**91,664**	348,054	**497**	-	**(58,018)**	(340,854)	**209,129**	177,151	**5,306**	4,666	**214,435**	181,817
Segment liabilities	**570,996**	653,333	**145,329**	129,782	**1,115,634**	1,063,615	**649**	-	**(1,824,205)**	(1,784,245)	**8,403**	62,485	**94,492**	93,720	**102,895**	156,205
Unallocated liabilities															**-**	516,410
Consolidated total liabilities															**102,895**	**672,615**

28 Business and geographical segments (Cont'd)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

All assets and liabilities are allocated to the reportable segments based on the operations of the segments. Unallocated items comprise mainly convertible loans and borrowings and associated derivative liabilities.

Geographical segments
Revenue and non-current assets information based on geographical location of customers and assets respectively are as follows:

	2017			2016		
The Group	**Singapore RMB'000**	**PRC RMB'000**	**Total RMB'000**	Singapore RMB'000	PRC RMB'000	Total RMB'000
External revenue	**3,116**	**17,629**	**20,745**	4,443	5,932	10,375
Non-current assets	**427**	**87,232**	**87,659**	537	160,115	160,652

Information about major customers
Information on revenue from external customers or group of customers who accounted for 10% or more of the Group's revenue is as follows:

The Group	**2017 RMB'000**	2016 RMB'000
Customer A	**7,402**	4,377
Customer B	**2,304**	1,158
Customer C	**1,968**	1,070
Customer D	**1,032**	706
Customer E	**702**	539
	13,408	7,850

29 Financial risk management

The Group and Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk. The Group and Company's overall risk management programme focus on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

There has been no change to the Group's and Company's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

The Group and Company do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

29 Financial risk management (Cont'd)

The carrying amounts of financial assets and financial liabilities at the reporting date by categories are as follows:

The Group	2017 RMB'000	2016 RMB'000
Loans and receivables		
Trade and other receivables *	**9,054**	4,824
Cash and bank balances	**114,164**	9,545
	123,218	14,369

	2017 RMB'000	2016 RMB'000
Financial liabilities at amortised cost		
Trade and other payables **	**66,640**	123,331
Borrowings	**3,384**	15,965
Convertible loans	**-**	352,896
	70,024	492,192

	2017 RMB'000	2016 RMB'000
Fair value through profit or loss		
Derivative liability	**-**	147,549

The Company	2017 RMB'000	2016 RMB'000
Loans and receivables		
Other receivables *	**9,907**	13,846
Cash and bank balances	**38,495**	3,170
	48,402	17,016
Financial liabilities at amortised cost		
Other payables **	**104,316**	71,968
Borrowings	**3,384**	15,965
Convertible loans	**-**	352,896
	107,700	440,829
Fair value through profit or loss		
Derivative liability	**-**	147,549

* excludes prepayment and prepaid leases
** excludes advance from customers and other tax payables

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The carrying amount of loans and receivables included in the statements of financial position represent the Group and the Company's maximum exposure to credit risk in relation to the financial assets.

The Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

29 Financial risk management (Cont'd)

Credit risk (Cont'd)

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

At the reporting date, other than as disclosed in Note 8 and Note 9, no allowance for impairment is necessary in respect of trade and other receivables past due and not past due based on payment history and current assessment.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

At the reporting date, the Group's trade receivables include amounts of RMB62,362,000 (2016: RMB62,362,000) due from two major customers which have been impaired. Except as disclosed, there are no other significant concentration of credit risk in respect of trade and other receivables:

The credit risk on bank balances is limited because the counterparties are banks with good credit ratings.

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The table below analyses the maturity profile of the Group's and financial liabilities based on contractual undiscounted cash flows, including estimated interest payments:

The Group	Carrying amount RMB'000	Contractual cash flows RMB'000	Less than 1 year RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
2017					
Non-derivative financial liabilities					
Trade and other payables	**66,640**	**66,640**	**66,640**	**-**	**-**
Borrowings	**3,384**	**3,384**	**3,384**	**-**	**-**
	70,024	**70,024**	**70,024**	**-**	**-**
2016					
Non-derivative financial liabilities					
Trade and other payables	123,331	123,331	123,331	-	-
Convertible loans	352,896	386,365	336,350	50,015	-
Borrowings	15,965	18,321	10,267	8,054	-
Derivative financial liabilities					
Derivative liability	147,549	147,549	147,549	-	-
	639,741	675,566	617,497	58,069	-

29 Financial risk management (Cont'd)

Liquidity risk (Cont'd)

The Company	Carrying amount RMB'000	Contractual cash flows RMB'000	Less than 1 year RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
2017					
Non-derivative financial liabilities					
Trade and other payables	**104,316**	**104,316**	**104,316**	**-**	**-**
Borrowings	**3,384**	**3,384**	**3,384**	**-**	**-**
	107,700	**107,700**	**107,700**	**-**	**-**
2016					
Non-derivative financial liabilities					
Trade and other payables	71,968	71,968	71,968	-	-
Convertible loans	352,896	386,365	336,350	50,015	-
Borrowings	15,965	18,321	10,267	8,054	-
Derivative financial liabilities					
Derivative liability	147,549	147,549	147,549	-	-
	588,378	624,203	566,134	58,069	-

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group is not exposed to interest rate risk as they do not hold variable rate instruments.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group does not have any significant foreign currency risk as they carry on their operations in their respective functional currencies.

Market price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

The Group does not hold any quoted or marketable financial instruments, and is not exposed to any movement in market prices.

29 Financial risk management (Cont'd)

Fair values

Definition of fair value

FRSs define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement of financial instruments

Financial and non-financial assets and liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 : unobservable inputs for the asset or liability.

The following table shows an analysis of assets and liabilities carried at fair value by level of fair value hierarchy:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
The Group				
2017				
Non-financial assets:				
Property, plant and equipment	**-**	**-**	**81,868**	**81,868**
Prepaid leases	**-**	**-**	**6,018**	**6,018**
Biological assets	**-**	**-**	**3,234**	**3,234**
2016				
Non-financial assets:				
Property, plant and equipment	-	-	154,645	154,645
Prepaid leases	-	-	6,183	6,183
Biological assets	-	-	6,404	6,404
Financial liabilities:				
Derivative financial liability	-	-	147,549	147,549
The Company				
2016				
Financial liabilities:				
Derivative financial liability	-	-	147,549	147,549

29 Financial risk management (Cont'd)

Fair values (Cont'd)

Fair value measurement of financial instruments (Cont'd)

Fair value measurement of financial instruments

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and bank balances, trade and other payables and borrowings) approximate their fair values because of the short period to maturity.

Fair value measurement of non-financial instruments

The following table shows the Group's valuation technique used in measuring the fair value of the non-financial instruments, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Prepaid leases - 2016 and 2017	Market approach	Adjustment factor	The estimated fair value would increase (decrease) if adjustment factor was favourable/(not favourable).
Property , plant and equipment - 2016 and 2017	Cost approach	Price trend indexes Obsolescence factor	The estimated fair value would increase (decrease) if: – Price trend indexes were higher (lower) – Obsolescence factor was lower (higher)
Biological assets – 2016 and 2017	Market approach Cost approach	Estimated market price	The estimated fair value would increase (decrease) if estimated market price was higher (lower). The estimated fair value would increase (decrease) if estimated spawning costs were higher (lower).

Fair value of financial liabilities measured at amortised cost

As at 31 December 2016, management had assumed the carrying values of loans from shareholders and loans from third parties approximated their fair values

Level 3 fair value measurement

The reconciliation of the carrying amount of non-financial assets classified within Level 3 is disclosed under Note 4 (Property, plant and equipment), Note 5 (Prepaid leases), and Note 10 (Biological assets).

30 Capital management

The Group's and Company's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as a going concern;
(b) To support the Group's stability and growth;
(c) To provide capital for the purpose of strengthening the Group's risk management capability; and
(d) To provide an adequate return to shareholders.

The Group and Company review from time to time their capital structures to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group's and Company's capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group and Company currently does not adopt any formal dividend policy.

The Board of Directors monitors capital based on net debt to total equity ratio. Net debt comprises total borrowings (loans and borrowings and convertible loans) less cash and bank balances. Net asset comprises total equity.

There were no changes in the Group's and Company's approach to capital management during the year.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

	The Group		The Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Total borrowings	**3,384**	368,861	**3,384**	368,861
Less: cash and bank balances	**(114,164)**	(9,545)	**(35,111)**	(3,170)
Net debt/(net cash)	**(110,780)**	359,316	**(31,727)**	365,691
Total equity /(deficit in total equity)	**111,540**	(490,798)	**15,951**	(419,103)
Net debt to total equity ratio (times)	#	#	#	#

Not presented due to net cash or deficit in total equity.

31 Comparatives

Certain amounts in the comparative information have been reclassified to conform with current year financial statement presentations.

The prior year reclassifications do not have any impact on profit or loss for the financial year ended 31 December 2016.

Consolidated income statement for the financial year ended 31 December 2017

	As reported RMB'000	Reclassification RMB'000	As reclassified RMB'000
The Group			
Cost of inventories	(5,932)	(4,313)	(10,245)
Gain/(loss) arising from changes in fair value less costs to sell of biological assets	9,554	(11,308)	(1,754)
Feed used	(4,563)	4,563	-
Electricity, fuel and water	(873)	873	-
Staff costs	(7,602)	1,992	(5,610)
Amortisation of prepaid leases	(230)	172	(58)
Depreciation of property, plant and equipment	(34,749)	8,021	(26,728)

Consolidated statement of cash flows for the financial year ended 31 December 2017

	As reported RMB'000	Reclassification RMB'000	As reclassified RMB'000
The Group			
Cash Flows from Operating Activities			
Gain arising from changes in fair value less costs to sell of biological assets	(9,554)	11,308	1,754
Depreciation of property, plant and equipment	34,749	(8,021)	26,728
Amortisation of prepaid leases	230	(172)	58
Impairment loss on other receivables	-	44	44
Interest expense	17,696	95	17,791
Change in other receivables and deposits	(149)	(44)	(193)
Change in biological assets	5,932	(364)	5,568
Change in other payables	9,091	(2,846)	6,245

Biological assets (Note 10 to consolidated financial statements) as at 31 December 2016

	As reported RMB'000	Reclassification RMB'000	As reclassified RMB'000
The Group			
At 1 January 2016	2,418	-	2,418
Additions	364	-	364
Capitalisation of depreciation and amortisation	-	8,193	8,193
Capitalisation of employee benefits	-	1,992	1,992
Capitalisation feed costs and operating expenses	-	1,123	1,123
Disposals	(5,932)	-	(5,932)
Increase in fair value less costs to sell	9,554	(11,308)	(1,754)
At 31 December 2016	6,404	-	6,404

32 Subsequent events

On 1 March 2018, the Company announced that it had received letters from the vendors (the "vendors"), from which the Company acquired shares representing 60% equity interest in Oceanus Australia Abalone World Pty Ltd. (formerly known as BNY Abalone World Factory Outlet Pty Ltd) ("BNY") in July 2017 (the "Acquisition"), through their solicitors, inter alia, alleging the Acquisition to be void and demanding a retransfer of the BNY shares. The Vendors have also commenced proceedings in Australia in respect of these allegations. The Company has obtained legal advice and disputed the Vendors' allegations. The Company has accordingly taken steps to enforce its rights. Pursuant to the disagreement between the Company and the Vendors, BNY has refused the Company access to its accounting and other records which are required for inclusion in the Company's consolidated financial statements for the financial year ended 31 December 2017.

STATISTICS OF SHAREHOLDINGS

Statistics of Shareholdings

As at 29 March 2018

Total number of issued shares excluding treasury shares and subsidiary holdings	:	24,296,921,463
Total number of treasury shares held	:	NIL
Total number of subsidiary holdings held	:	NIL
Percentage of the aggregate number of treasury shares and subsidiary holdings held against total number of issued shares excluding treasury shares and subsidiary holdings	:	NIL
Class of shares	:	Ordinary
Voting rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	71	0.83	2,439	0.00
100 – 1,000	226	2.65	168,257	0.00
1,001 – 10,000	1,537	18.04	12,135,728	0.05
10,001 – 1,000,000	6,220	73.01	944,913,705	3.89
1,000,001 AND ABOVE	466	5.47	23,339,701,334	96.06
TOTAL	**8,520**	**100.00**	**24,296,921,463**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	OCEAN WONDER INTERNATIONAL LIMITED	5,136,005,187	21.14
2	BW INVESTMENT LIMITED	3,368,256,047	13.86
3	ASSETRAISE CONSULTANTS LIMITED	2,670,244,981	10.99
4	PETER KOH HENG KANG	2,475,188,837	10.19
5	SIGMA SHARES LIMITED	885,505,405	3.64
6	ESSENTRADE LIMITED	864,912,256	3.56
7	ARRAVALE LTD	823,725,958	3.39
8	OCEAN KING GROUP LIMITED	773,560,549	3.18
9	MORGAN LEWIS STAMFORD LLC	621,124,017	2.56
10	CITIBANK NOMINEES SINGAPORE PTE LTD	452,504,861	1.86
11	NEO BEE HONG	413,062,979	1.70
12	UOB KAY HIAN PRIVATE LIMITED	409,288,132	1.68
13	TAN WANG CHEOW	386,866,915	1.59
14	CHEN YONG SHUN	274,575,320	1.13
15	GOH LAY HUA (WU LIHUA)	274,575,320	1.13
16	KOH KENG GUAN	274,575,320	1.13
17	KEE POIR MOK	186,442,338	0.77
18	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	164,693,954	0.68
19	DBS NOMINEES (PRIVATE) LIMITED	161,734,530	0.67
20	LI JIN	137,287,660	0.57
	TOTAL	**20,754,130,566**	**85.42**

SUBSTANTIAL SHAREHOLDERS (as recorded in the Company's Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
	No. of Shares	%[1]	No. of Shares	%[1]
Ocean Wonder International Limited	5,523,070,991	22.73	–	–
AIF Capital Asia III, L.P.	–	–	5,523,070,991	22.73[2]
AIF Capital Asia III GP Limited	–	–	5,523,070,991	22.73[2]
AIF Capital Partners Holdings, L.P.	–	–	5,523,070,991	22.73[2]
AIF Capital Partners, Ltd.	–	–	5,523,070,991	22.73[2]
Peter F. Amour	–	–	5,523,070,991	22.73[2]
Varina Group Limited	–	–	5,523,070,991	22.73[2]
Theresa Yuk Mui Chung	–	–	5,523,070,991	22.73[2]
Stephen Lee	13,100,681	0.05	5,523,070,991	22.73[3]
Peter Koh Heng Kang	2,486,188,837	10.23	–	–
BW Investment Limited	3,633,654,937	15	–	–
Borrelli Walsh Asia Limited	–	–	3,633,654,937	15[4]
Cosimo Borrelli	–	–	2,725,241,203	11.25[4]
Xu Shun Cheng @ Perman Yadi	709,249,318	2.9	2,670,244,981	10.99

Notes:

1 Computed based on 24,296,921,463 shares, being the total number of issued voting shares of the Company as at 29 March 2018.

2 AIF Capital Asia III, L.P. ("AIF LP") is the sole shareholder of Ocean Wonder International Limited ("OWIL") and accordingly holds more than 50% of the voting rights in OWIL. AIF Capital Asia III GP Limited ("AIF GP") is the general partner of AIF LP. AIF Capital Partners Holdings, L.P. ("AIF CPH LP") is the sole shareholder of AIF GP and accordingly holds more than 50% of the voting rights in AIF GP.

AIF Capital Partners, Ltd. ("AIF Ltd") is the general partner of AIF CPH LP. Peter F. Amour ("PFA") and Theresa Yuk Mui Chung ("Theresa") each holds not less than 20% of the voting rights in AIF Ltd.

Varina Group Limited ("VGL") holds not less than 20% of the voting rights in AIF CPH LP. Asian Corporate Advisers Limited ("ACAL") is the sole shareholder of VGL and accordingly holds more than 50% of the voting rights in VGL. ACAL holds all the shares of VGL as bare trustee in trust for the benefit of PFA.

3 AIF Ltd is the general partner of AIF CPH LP. Stephen Lee holds not less than 20% of the voting rights in AIF Ltd. Accordingly, Stephen Lee is deemed to have an interest as a substantial shareholder in the shares.

4 Borrelli Walsh Asia Limited ("BWAL") is the sole shareholder of BW Investment Limited ("BWIL") and accordingly holds more than 50% of the voting rights in BWIL. Bombay Bicycle Club Limited ("BBCL") holds 56.5% of the shares in BWAL (being more than 50% of the voting rights in BWAL). Jacqueline Walsh and Cosimo Borrelli respectively hold 25% of the shares in BBCL (being not less than 20% of the voting rights of BBCL) and 75% of the shares in BBCL (being more than 50% of the voting rights in BBCL).

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC'S HANDS

Based on the information available to the Company as of 29 March 2018, approximately 35.96% of the total number of issued voting shares of the Company were held in the hands of the public and therefore, the Rule 723 of the Listing Manual of the SGX-ST is complied with.

ANNUAL GENERAL MEETING

OCEANUS GROUP LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 199805793D)

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of Oceanus Group Limited (the "**Company**") will be held at Capital Tower, STI Auditorium (Level 9), 168 Robinson Road, Singapore 068912 on Monday, 30 April 2018 at 10.00 a.m., for the following purposes:

As Ordinary Business

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2017 together with the Directors' Statement and the Independent Auditor's Report. **(Resolution 1)**

2. To note the retirement of Mr Yeo Kan Yen, Alvin, who is retiring pursuant to Article 107 of the Constitution of the Company. (see Explanatory Note 1)

3. To re-elect Mr Jason Aleksander Kardachi, being a Director who retires pursuant to Article 107 of the Constitution of the Company. (see Explanatory Note 2) **(Resolution 2)**

4. To approve the payment of Directors' fees of S$68,000 for the financial year ending 31 December 2018, to be paid quarterly in arrears. (2017:S$128,000) **(Resolution 3)**

5. To re-appoint Messrs Foo Kon Tan LLP as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 4)**

6. To transact any other business that may be properly transacted at an AGM.

As Special Business

To consider and if deemed fit, to pass, with or without modifications, the following Ordinary Resolution:

7. AUTHORITY TO ALLOT AND ISSUE SHARES

"That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**") and the listing rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

1. (i) issue and allot shares in the capital of the Company ("**Shares**") (whether by way of rights, bonus or otherwise); and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that may or would require Shares to be issued, including but not limited to the creation and issue of warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

2. (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force, provided that:

   (a) the aggregate number of Shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (b) below);

   (b) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued Share shall be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) in the share capital of the Company at the time of the passing of this Resolution, after adjusting for:

      (i) new Shares arising from the conversion or exercise of any convertible securities;

(ii) new Shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the Listing Manual of the SGX-ST; and

(iii) any subsequent bonus issue, consolidation or subdivision of Shares;

(c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Companies Act and Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(d) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held whichever is the earlier.
(see Explanatory Note 3) **(Resolution 5)**

By Order of the Board

Peter Koh Heng Kang
Executive Director and Chief Executive Officer

Singapore, 13 April 2018

Explanatory Notes:

(1) Mr Yeo Kan Yen, Alvin will not be seeking for re-election and will retire at the conclusion of this AGM. Upon the retirement of Mr Alvin Yeo as the Independent Non-Executive Director of the Company, he will cease as Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee.

(2) Ordinary Resolution 2 – Mr Jason Aleksander Kardachi will, upon re-election, remain as a Non-Executive Director and a member of the Nominating Committee and the Remuneration Committee of the Company.

(3) Ordinary Resolution 5 – if passed, will empower the Directors of the Company, effective until (i) the conclusion of the next AGM of the Company, or (ii) the date by which the next AGM of the Company is required by law to be held or (iii) the date on which such authority is varied or revoked by the Company in a general meeting, whichever is the earliest, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of total number of issued Shares (excluding treasury shares and subsidiary holdings, if any), of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.

For determining the aggregate number of Shares that may be issued, the total number of issued Shares will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time this Resolution is passed, after adjusting for:

(a) new Shares arising from the conversion or exercise of any convertible securities;

(b) new Shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares.

Notes:

1. Each of the resolutions to be put to the vote of members at the AGM (and at any adjournment thereof) will be voted by way of a poll.

2. (a) A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

3. A proxy need not be a member of the Company. An instrument appointing a proxy must be deposited at the registered office of the Company, 31 Harrison Road #11-03/04, Food Empire Building, Singapore 369649, not less than 48 hours before the time for holding the AGM or any adjournment thereof.

4. The instrument appointing a proxy must be signed by the appointor or his attorney. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be either executed under its common seal or signed on its behalf by an attorney or a duly authorized officer of the corporation.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

OCEANUS GROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company Reg. No. 199805793D)

PROXY FORM – ANNUAL GENERAL MEETING

IMPORTANT
1. Relevant Intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore), may appoint more than two proxies to attend and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy Oceanus Group Limited shares, this Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

Personal Data Privacy
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2018.

I/We, ____________________ (name), NRIC/Passport No./Co. Reg. No. ____________________

of ________________________________ (address) being a member/members of OCEANUS GROUP LIMITED (the "**Company**"), hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	%

or failing whom, the Chairman of the Annual General Meeting ("**AGM**") as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held at Capital Tower, STI Auditorium (Level 9), 168 Robinson Road, Singapore 068912 on Monday, 30 April 2018 at 10.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the AGM and at the adjournment thereof. The resolutions put to vote at the AGM shall be decided by poll.

No.	ORDINARY RESOLUTIONS	For*	Against*
1	Adoption of the Audited Financial Statements for the financial year ended 31 December 2017, together with the Directors' Statement and the Independent Auditor's Report.		
2	Re-election of Mr Jason Aleksander Kardachi as a Director.		
3	Approval of payment of Directors' fees of S$68,000 for the financial year ending 31 December 2018, to be paid quarterly in arrears.		
4	Re-appointment of Messrs Foo Kon Tan LLP as Independent Auditor.		
5	Authority to allot and issue Shares.		

* If you wish to exercise all our votes "For" or "Against", please tick with "√" within the box provided. Alternatively, please indicate the number of votes "For" or "Against" each resolution.

Dated this ________ day of ________________ 2018

Total Number of Shares held in:	
CDP Register	
Register of Members	

____
Signature(s) of member(s) or Common Seal

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

NOTES:

1. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by the member.

2. (a) A member of the Company who is not a relevant intermediary is entitled to appoint one or two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   (c) "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

3. A proxy need not be a member of the Company.

4. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 31 Harrison Road #11-03/04, Food Empire Building, Singapore 369649, not less than 48 hours before the time set for the Annual General Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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Oceanus Group Limited
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oceanus-grp-limited oceanusgrouplimited
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