



OCEANUS GROUP LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 199805793D)

**RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON
THE ANNUAL REPORT FOR FULL YEAR ENDED 31 DECEMBER 2021**

The Board of Directors (“**Board**”) of Oceanus Group Limited (“**Company**”) refers to queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) dated 25 April 2022 regarding the Company’s annual report for its financial year ended 31 December 2021.

Question #1:

Please explain why interest income amounted to only \$129,000 during the financial period ended 31 December 2021 when the Company has significant cash amounting to \$37,123,000. In your explanation, please also include the reason(s) for this figure being different from the interest income in Note 6A which shows \$34,000.

Answer #1

Whilst the Company had an increased level of cash balance as at 31 December 2021, this was the result of fund raising activities occurring only during the end of the financial year in Q4 2021. Therefore any interest income earned from this cash balance would be minimal. Income derived from interest earned comprises of \$34,000 in ‘Interest income’ and \$95,000 in ‘Sundry income’ as set out in Note 6A, resulting in the total interest earned of \$129,000.

Question #2:

We note that the trade and other receivables make up about 37.5% of the current assets. Please disclose the nature of trade and other receivables in the current assets.

- a breakdown of the Group’s receivables;
- aging of the Group’s trade receivables;
- details of the Group’s underlying transactions of its other receivables and the terms of the transactions;
- the Company’s plans to recover the trade and other receivables;
- whether they are major customer(s) and whether the Company continues to transact with these customer(s); and
- whether the transactions with the customer(s) involve interested persons.

Answer #2

a) Set out below is a breakdown of the Group’s receivables:

Trade and other receivables	\$ '000
Trade receivables	40,671
Other receivables	5,884
Total	46,555

b) Set out below is the ageing summary of the Group’s trade receivables:

\$ '000	Total outstanding	Current	1-30 days	31-60 days	61-90 days	> 90 days
Trade receivables	40,671	27,383	5,086	352	6,613	1,237
		67.3%	12.5%	0.9%	16.3%	3.0%

- c) Other receivables balance largely pertain to prepayments made to trade suppliers for the purchase of fast-moving consumer goods and food products. These prepaid amounts will thereafter be applied towards eventual tax invoices received from the respective suppliers upon the receipt of goods.
- d) For any overdue accounts, the Company will actively contact the relevant parties by way of phone call or email, to remind them of their overdue balances. They will be asked to pay immediately, or risk incurring late payment penalties or interest. For severely delinquent balances that are more than 90 days past due, a demand letter will be sent from the Company and the account may be referred to 3rd party collections agencies.
- e) Of the total overdue balances as at 31 December 2021, approximately SGD9.9 million relates to the Company's top 5 major recurring customers. As of date of this announcement (27 April 2022) 100% of these overdue balances has been fully paid up and settled.
- f) None of the customers transactions in respect of the trade and other receivables involve interested persons.

Question #3:

Please provide information on the Company's inventory turnover days.

Answer #3

Set out below is a table setting out the Company's inventory turnover days:

COGS (\$ '000)	130,144
Opening inventory (\$ '000)	14,691
Closing inventory (\$ '000)	37,403
Avg inventory (\$ '000)	26,047
Inventory turnover ratio	5.0
Inventory turnover days	73.0

Question #4:

It is noted that the Company has a net cash outflow from operating activities of (\$34,199,000) and a net profit of \$8,754,000 for the financial year ended 31 December 2021. Please explain why the Company is unable to generate net cash inflow from its operating activities, despite the Company's net profit position for the financial year.

Answer #4

Funds raise by the Company during the year, as reflected in the positive cash inflow from financing activities, were promptly applied towards the purchasing of inventory to grow the Group's overall trade volumes.

Question #5:

Please provide the reason(s) for the significant accounts payables/trade and other payables of \$22,746,000 as well as significant current financial liabilities of S\$66,197,000 when the Group recorded a cash and cash equivalent amount of \$37,213,000 as at 31 December 2021.

Answer #5

The 57% year-on-year increase in trade and other payables is a direct correlation to the increase in the Group's level of business during the year, as reflected in the 52% year-on-year increase in revenue during the year.

The increase in current financial liabilities during the year is attributed to SGD17.9 million in short term borrowings from outside parties in Q2 FY2021, prior to the Company's exit from the SGX watchlist, to fund the growth of its businesses.

Additional bridging loan facilities of approximately SGD37.1 million was subsequently entered into later in the year in November 2021, resulting in an elevated cash balance on 31 December 2021.

Question #6:

In accordance with Rule 1207(10C), please provide the Audit Committee's comment on whether the internal audit function is independent, effective, and adequately resourced.

Answer #6

The Company has disclosed on page 49 and 50 of the Annual Report as follows:

During the financial year under review, the AC, which was assisted by Management (the Executive Director and the CFO) and considered the work performed by the external auditors, 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 as laid out in their audit plan. In addition, annual review was conducted 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, are reported to the AC. The AC also reviews the effectiveness of the actions taken by Management on the recommendations made by the external auditors in this respect.

The AC has reviewed arrangements by which the staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, with the objective of ensuring that arrangements are in place for the independent investigation of such matters for appropriate follow-up action.

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 CFO 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 Board, with the concurrence of the AC, is of the opinion that the Group's internal controls, including financial, operational, compliance, information technology controls and risk management systems were adequate and effective in its current business environment.

The Board was of the view that the internal audit function was independent, effective and adequately resourced and the AC was satisfied that the internal audit function was independent, effective and adequately resourced.

Question #7:

Please explain how the Company's Whistleblowing Policy is in compliance with Rule 1207(18B)(a) and (d).

Answer #7

The Company has designated an independent function to investigate whistleblowing reports made in good faith. This includes the designation of one of the Company's independent directors (Mr Zahidi Bin Abd Rahman) as the Whistleblower Protection Officer.

The Audit Committee of the Company has also taken responsibility for the oversight and monitoring of whistleblowing. The statement of the Company's Whistleblowing Policy can be accessed via the following link: <https://oceanus.com.sg/wp-content/uploads/2022/04/Whistle-Blowing.pdf>

Question #8:

Provision 8.1(b) of the Code requires in the annual report, the disclosures of the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of at least the top five key management personnel (“KMP”) (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel. In accordance with Rule 710, please also explain how the reason for the variation from the provision, and how the company’s practices are consistent with intent of Principle 8 of the Code.

Answer #8

The Company takes reference to the definition of KMP as set out in the guide to the Code, which refers to KMP as the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the Company. To that end, the Company currently only has two KMPs, being the CEO and CFO, of which remuneration details have been disclosed in the annual report. The Company will endeavor to disclose remuneration details of additional KMPs in future annual reports in the event they are appointed.

Question #9:

Provision 8.2 requires the Company to disclose the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder. Please disclose if there is any employee(s) falling within this category. If so, in accordance with Rule 710, please explain the reason for the variation from the provision, and how the Company’s practices are consistent with the intent of Principle 8 of the Code.

Answer #9

There are no such employees falling within this category.

Question #10:

Provision 9.2(b) of the Code of Corporate Governance (the “Code”) requires that the Board requires and discloses in the annual report that it has received assurance from the CEO and other KMP who are responsible, regarding the adequacy and effectiveness of the company’s risk management and internal control systems. Please disclose if the board has received the stated assurance from the CEO and KMP. If not, in accordance with Rule 710, please also explain how the reason for the variation from the provision, and how the company’s practices are consistent with intent of Principle 9 of the Code.

Answer #10

The Board has received assurance from the CEO and CFO that an adequate and effective risk management and internal control system has been put in place.

BY ORDER OF THE BOARD

Peter Koh Heng Kang, PBM
Executive Director and Chief Executive Officer
27 April 2022