

OCEAN SKY INTERNATIONAL LIMITED

(Registration No. 198803225E)
(Incorporated in the Republic of Singapore)

CLARIFICATION ON DIFFERENCES BETWEEN UNAUDITED FINANCIAL RESULTS AND AUDITED FINANCIAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The Board of Directors (the “**Board**”) of Ocean Sky International Limited (the “**Company**”, together with its subsidiaries (the “**Group**”)) refers to the announcement released by the Company on 29 February 2016 (the “**Previous Announcement**”) in relation to its unaudited full year financial results (the “**Unaudited Financial Statements**”) for the financial year ended 31 December 2015 (“**FY2015**”). Further reference is made to the audited financial statements of the Company for FY2015 (“**Audited Financial Statements**”) which will be despatched to shareholders and the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in due course.

Pursuant to Rule 704(6) of the Listing Manual of the SGX-ST, the Board wishes to announce that, subsequent to the release of the Unaudited Financial Statements, there are certain adjustments made by the Company to the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows in the Audited Financial Statements compared to what was disclosed in the Unaudited Financial Statements. The adjustments were made following the finalisation of the audit.

Please refer to below for the detailed explanation of the variances :-

1. Consolidated Statement of Comprehensive Income

	GROUP			Note
	31/12/2015 Audited Financial Statements US\$'000	31/12/2015 Unaudited Financial Statements US\$'000	Variance (+) / (-) US\$'000	
Revenue	720	720	-	
Other income	34	34	-	
Administrative and other operating expenses	(2,916)	(2,638)	278	1
Finance costs	(3)	(3)	-	
Share of results of associate, net of tax	687	687	-	
Loss before income tax from continuing operations	(1,478)	(1,200)	278	
Income tax expense	(290)	(118)	172	1
Loss for the financial year from continuing operations	(1,768)	(1,318)	450	
Loss for the financial year from discontinued operations	-	-	-	
Loss for the financial year	(1,768)	(1,318)	450	

Other comprehensive income

Items that may be reclassified subsequently to profit and loss account

- Exchange differences on translating foreign operations	(131)	(131)	-	
Reclassification to profit or loss from foreign currency translation reserve				
- Liquidation of foreign subsidiary	546	-	546	2
Other comprehensive income for the financial year, net of tax	415	(131)	546	
Total comprehensive income for the financial year	(1,353)	(1,449)	96	

2. Consolidated Statement of Financial Position

	GROUP			
	31/12/2015	31/12/2015	Variance	Note
	Audited	Unaudited	(+) / (-)	
	Financial	Financial		
	Statements	Statements		
	US\$'000	US\$'000	US\$'000	
Non-current assets				
Property, plant and equipment	232	232	-	
Investment property	10,144	10,144	-	
Intangible assets	1	1	-	
Subsidiaries	-	-	-	
Investment in associate	3,859	3,859	-	
	14,236	14,236	-	
Current assets				
Trade and other receivables	46	46	-	
Fixed deposits	10,000	10,000	-	
Cash and bank balances	9,003	9,003	-	
	19,049	19,049	-	
Current liabilities				
Trade and other payables	2,399	2,121	278	1
Provision for warranty claim	-	-	-	
Current income tax payable	290	118	172	1
Interest-bearing liabilities	36	36	-	
	2,725	2,275	450	
Net current assets	16,324	16,774	(450)	

Non-current liabilities

Interest-bearing liabilities	72	72	-
	<u>72</u>	<u>72</u>	<u>-</u>

Net assets	30,488	30,938	(450)
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Equity

Share capital	29,344	29,344	-
Other reserves	5,098	5,098	-
Retained earnings	(3,954)	(3,504)	(450)

Equity attributable to owners of the parent	<u>30,488</u>	<u>30,938</u>	<u>(450)</u>
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3. Consolidated Statement of Cash Flows

	GROUP			Note
	31/12/2015	31/12/2014	Variance	
	Audited	Unaudited	(+) / (-)	
	Financial	Financial	US\$'000	
	Statements	Statements	US\$'000	
	US\$'000	US\$'000	US\$'000	
Net cash used in operating activities	(4,133)	(4,167)	(34)	3
Net cash used in investing activities	(6)	(54)	(48)	3 & 4
Net cash (used in)/generated from financing activities	(6)	38	44	3 & 4
Net change in cash and cash equivalents	<u>(4,145)</u>	<u>(4,183)</u>	<u>(38)</u>	
Cash and cash equivalents at beginning of financial year	23,317	23,317	-	
Effect arising from foreign currency exchange rates	(169)	(131)	38	3
Cash and cash equivalents at end of financial year	<u>19,003</u>	<u>19,003</u>	<u>-</u>	

Note 1 : As announced in the Previous Announcement, one of the subsidiaries in Cambodia has, on 15 December 2015, received a notice of tax reassessment for years 2008 to 2011 ("Tax Reassessment") from the General Department of Taxation, Cambodia (the "GDT") of approximately US\$1.0 million for underpayment of (i) tax on profit in relation to undeclared revenue ("Revenue Tax") and intercompany loan principal deemed as income ("Loan Income Tax"); (ii) value added tax on undeclared revenue ("Revenue VAT") and (iii) withholding tax on loan interest expense ("Loan Interest WHT"), and related penalties and interests. On 15 January 2016, the subsidiary lodged an objection letter with the GDT and has requested for a clarification on the basis of the Tax Reassessment.

Management has reviewed the Tax Reassessment and sought advice from an independent tax advisor. Based on the tax advice received, management believes that it has reasonable grounds to dispute the Tax Reassessment in relation to Loan Income Tax and Loan Interest WHT. Accordingly, the Directors are of the opinion that no provision on the amounts in relation to Loan Income Tax and Loan Interest WHT, and the respective related penalties and interests with respect to the Tax Reassessment is required.

Although management is not aware of any revenue undeclared, management has, without admission of the correctness of the Tax Reassessment received and pending clarification from the GDT, made a provision of US\$172,000 in relation to Revenue Tax and Revenue VAT and has recorded this amount as an underprovision of current income tax, and US\$278,000 for related penalties and interests and has recorded this amount under "Administration and other operating expenses". Management will continue to seek clarification from the GDT to resolve the Tax Reassessment.

Note 2 : To show out the current year movement of foreign currency translation reserve due to reclassification of cumulative exchange loss to profit or loss on liquidation of foreign subsidiary.

Note 3 : Reclassification of accounts to present effect of currency translation on cash and cash equivalents.

Note 4 : Reclassification of accounts to present net cash outflow on purchase of motor vehicle under finance lease.

BY ORDER OF THE BOARD

Chia Yau Leong
Company Secretary

4 April 2016