



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

**RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON
COMPANY'S FINANCIAL STATEMENTS FOR THE FIRST HALF ENDED 30 JUNE 2022**

The Board of Directors ("**Board**") of Oceanus Group Limited ("**Company**" and together with its subsidiaries, the "**Group**") refers to queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") dated 25 August 2022 regarding the Company's financial statements for the first half ended 30 June 2022 which was released on 14 August 2022.

Query #1:

Given the Group's significant current liabilities of \$55,886,000, unsecured amount payable in 1 year or less, or on demand of \$24,541,000, and cash and bank balance of only \$20,623,000 as well as the Company's losses of \$818,000 for the half year ended 30 June 2022, please disclose the Board's assessment on:

- i) whether the Company's current assets are adequate to meet the Company's short term liabilities including its bases of assessment; and
- ii) how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

Company's Response:

- i) Having reviewed the cash flow projections of the Group and the reasonableness of the underlying assumptions of the projections, the Board is of the opinion that the Company is able to meet its short term liabilities in the next 12 months. This includes the consideration of the following factors:
 - a. The Group has a positive working capital position of SGD77.0 million as at 30 June 2022;
 - b. Trade receivables balance of SGD60.3 million alone as at 30 June 2022 exceeds that of the Group's entire current liabilities balance. As detailed further below, the Group is not expecting any material collectability issues over its trade receivables in the next 12 months;
 - c. Inventories held in warehouses and goods in transit totalling SGD36.2 million, represents the Group's inventory that are all fast-selling consumer goods in nature and realisable within 60 days (i.e. food and beverage products, fresh produce, frozen meats); and
 - d. The Group is in compliance with all its external debt covenants
- ii) To fulfil all its significant payment obligations in the next 12 months, the Group will:
 - a. Maintain or improve cash conversion cycles for all its various products, so that they are kept within a reasonable period. This will not only ensure that the Group's operational cash flows are improved, but also that its overall revenue can continue to grow sustainably; and
 - b. Continue the efficient deployment of all trade financing facilities provided to the Group, including the usage of trust receipts and export invoice financing facilities.

Query #2:

Please disclose the nature of trade receivables of \$60,274,000. In your response, please provide:

- i) a breakdown of the Group's receivables;
- ii) aging of the Group's trade receivables;
- iii) details of the Group's underlying transactions of its other receivables and the terms of the transactions;
- iv) the Company's plans to recover the trade and other receivables;
- v) whether they are major customer(s) and whether the Company continues to transact with these customer(s);
- vi) how long are the debts outstanding and in which period the sales were reported;
- vii) what were the actions taken to recover the trade and other receivables; and
- viii) the Board's assessment of the recoverability of the remaining trade and other receivables.

Company's Response:

- i) Set out below is a breakdown of the Group's overall receivables as at 30 June 2022:

Trade and other receivables	\$ '000
Trade receivables	60,274
Other receivables	7,847
Total	68,121

- ii) Set out below is the ageing summary of the Group's trade receivables as at 30 June 2022:

\$ '000	Total outstanding	Current	1-30 days	31-60 days	61-90 days	> 90 days
Trade receivables	60,274	38,245	7,977	7,153	5,292	1,608
		63.5%	13.2%	11.9%	8.8%	2.7%

- iii) 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.
- iv) 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.
- v) Of the total overdue trade receivable balances as at 30 June 2022, over 95% of this are balances due from the Group's top 5 customers, who are also long-term recurring customers. As at date of this announcement (29 August 2022), 81% of these overdue balances have already been fully paid up and settled. The remaining 19% of this is expected to be fully settled in the next 60 days.
- vi) Depending on products traded and customers, the credit terms extended to customers may range between 60 to 90 days on average. In that regard, 94% of trade receivables as at 30 June 2022 relate to sales conducted within the financial year of 2022.
- vii) The Company has taken active steps in the pursuance of settlement in accordance with iv) above. The Group will only continue to transact with these overdue customers after management has performed sufficient credit evaluation of their respective financial conditions and collateral where appropriate to reduce financial loss of defaults.
- viii) Management continually examines the recoverability of trade receivables individually and collectively based on the age of the debts to identify any expected credit losses. On this basis, management has assessed that no impairment is necessary for the remaining trade

and other receivables. The Board has reviewed and accepted management's analysis and estimates and will continue to have oversight on the progress of recoverability of the remaining trade receivables.

Query #3:

Please disclose a breakdown of other current asset amounting to \$7,927,000 as at 30 June 2022, including an explanation for the increase from the financial year ended 31 December 2021.

Company's Response:

Other current assets predominantly relates to deposits placed with the Group's suppliers.

The increase from the financial year ended 31 December 2021 is line with the recent establishment of new distribution arms and subsidiaries Sino Food Group Pte Ltd and Guangzhou International Industrial Development Co. Ltd., which deals in frozen meat and fast-moving consumer commodities distribution. During the year, additional deposit balances were placed with new suppliers for these businesses.

Query #4:

Please disclose a breakdown of trade and other payables amounting to \$6,403,000 and \$17,024,000 respectively as at 30 June 2022, including an explanation for the increase from the financial year ended 31 December 2021. For other payables, please disclose the identity of the counterparties, the aging and nature of these other payables.

Company's Response:

Set out below is a breakdown of trade payables as at 30 June 2022:

Trade payables	\$ '000
Distribution pillar suppliers	5,007
Services pillar suppliers	289
Food production pillar suppliers	1,107
Total	6,403

Set out below is a breakdown of other payables as at 30 June 2022:

Other payables	\$ '000
Audit fees	257
Corporate secretarial fees	109
Tax services	15
Accrued interest payments	2,320
Other payables	14,321
Total	17,022

Counterparties in relation to the Group's other payables consist of service providers such as independent auditors, corporate secretary, legal counsel, tax adviser and other professional service providers. Accrued interest payments refer to accrued balances due to the bank for the utility of trade and credit facilities. The remaining other payables of SGD14.3 million largely relates to long-standing carried forward balances. Apart from the fact that these were balances due to Chinese parties, other counterparty information is limited due to the Group suffering a lost of books and records as result of Typhoon Usagi damaging the farm and its offices in China in 2013. The Company has not received any claims for payments of these balances in the last 6 years.

BY ORDER OF THE BOARD

Peter Koh Heng Kang, PBM
Executive Director and Chief Executive Officer
29 August 2022