OCEANUS GROUP LIMITED

31 Harrison Rd #11-03/04
Food Empire Building
Singapore 369649

TEL : (+65) 6285 0500
FAX : (+65) 6280 0822

WWW.OCEANUS.COM.SG

# MAKING BIG STRIDES FORWARD

OCEANUS GROUP LIMITED
ANNUAL REPORT 2016

# CONTENT

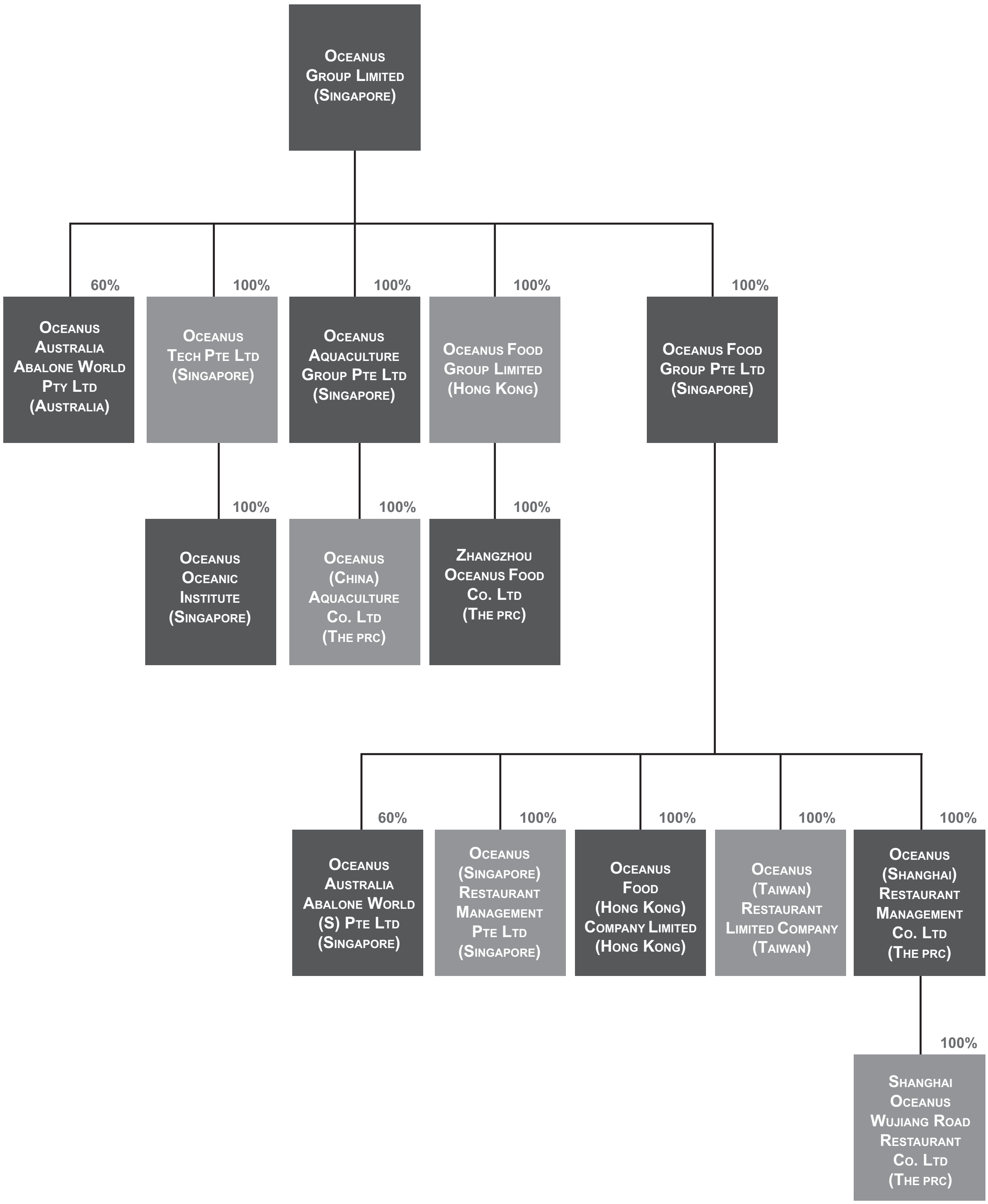
# CORPORATE PROFILE

Oceanus Group Limited ("**Oceanus**", and together with its subsidiaries, the "**Group**"), a company listed on the Mainboard of the SGX-ST, aims to be a global premium seafood supply chain manager. Supported by land farms in the People's Republic of China, the Group employs a science-and-evidence-based approach to breed abalone and premium seafood, relying on cutting-edge aquaculture technology to monitor and analyse breeding parameters and statistics for effective farming.

Working closely with the brightest minds and industry thought leaders of leading institutions and universities, Oceanus is committed to producing quality and affordable premium seafood products through sustainable farming practices, innovation and research and development.

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

# CORPORATE STRUCTURE



# CEO'S STATEMENT

**Dear Shareholders,**

The financial year ended December 31, 2016 ("**FY2016**") was an eventful year for Oceanus, as we charted our turnaround with a clear roadmap for growth, following efforts in 2015 to streamline and strengthen internal processes and operations, as well as to advance on the debt restructuring exercise with key creditors to improve our balance sheet.

I had on January 25, 2016 established Oceanus' strategic direction for the years to come. Moving beyond cost-cutting measures, it is imperative for Oceanus to install growth engines to accelerate the turnaround process and to ensure the long-term viability of our business.

**Business Model Transformation**

From a bird's eye view, we are transforming ourselves beyond being a "one-product, one country" business into a vertically integrated global premium seafood supply chain manager, seeking synergistic opportunities to broaden our value chain capabilities – from upstream (hatchery) to midstream (processing) and downstream (retailing).

Towards this end, we have repositioned our core abalone business to become an abalone hatchery, working with sea farmers instead of competing with them. We focus on our competitive advantages and strengths as a land-based farm, supplying sea farmers with abalone juveniles or spawns and obtaining full-grown abalones from them at prices that are 30% to 40% lower than what land farming offers.

The effectiveness of this shift in strategy is reflected in our financials – sales for live marine products doubled to RMB6 million in FY2016 compared to the RMB3 million recorded in the same period last year.

These full-grown abalones are then processed by our Australian partner, BNY Trading Pty Ltd ("**BNY**"), who will then dry and can the abalones for sale to consumers. Oceanus has the exclusive right to sell, distribute and manage BNY's products and customers in all countries outside Australia. We are pleased to work with a trusted and reputable partner like BNY, which is registered with the highest Grade A Processor Establishment, in Queensland, Australia, and will progressively explore new business opportunities with such quality strategic partners.

Moving further downstream, we've entered the consumer market with the sale of our premium "Oceanus" branded canned abalones that have received warm reception so far. Processed by BNY, our canned abalones are halal-certified with no added MSG and preservatives, and are available in two options – pre-cooked braised sauce and clear soup options – targeted at busy professionals and families.

Concurrently, building upon the science-and-evidence based approach to farming and the robust internal risk-management processes put in place since 2015, we are looking to place strong emphasis on the development and employment of advanced, cutting edge production and farming technologies.

Not only does this greatly improve production efficiency, breeding success rate and survival of our biological assets, being at the forefront of farming technologies will pave the way for us to create new revenue streams for consulting work or management solutions.

**En-Route To A Clean Slate: Balance Sheet**

During the financial year, we've achieved great progress in our negotiations with key creditors for the debt restructuring exercise. We announced in September 2016 that two of three key creditors have signed a binding term sheet to convert S$54.2 million of outstanding debt into Oceanus shares.

Subsequent to the financial year end, we announced in July 2017 that all three key creditors have signed a binding term sheet to convert S$64.7 million, or 80.3% of our outstanding debt, into new ordinary shares, leaving us with S$20 million of debt remaining.

As announced on March 6, 2017, the balance debt of S$20 million will be paid from net proceeds received from the sale of our land farms in the PRC back to the local authorities – marking a giant leap for Oceanus towards being a debt-free company.

As a vote of confidence for the progress of our turnaround and for our growth potential, we've attracted new investors who will inject S$6 million of fresh funds via the subscription of new Oceanus shares, building an adequate war chest to pursue our new businesses.

We will be seeking shareholders' approval for the debt restructuring exercise at an extraordinary general meeting to be convened on October 31, 2017. We look forward to the support from our shareholders as we collectively work towards Oceanus recovery and growth.

**Words Of Appreciation**

As we are making big strides towards Oceanus turnaround, we are maintaining a long-term view to ensure the long-term sustainability of our businesses while expanding prudently to protect shareholders' interests.

We have been navigating rocky waters these past few years, and the progress made so far couldn't have been possible without the strong support of our loyal shareholders, partners, 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 rebuilding Oceanus upon reinforced foundations and our eventual exit from the watch-list as we work hard towards enhancing profitability.

Yours Sincerely,

**Peter H.K. Koh, PBM**
Chief Executive Officer

# BOARD OF DIRECTORS

# P

# Mr Peter H.K. Koh, PBM

## Chief Executive Officer

Mr Peter H.K. Koh was appointed Chief Executive Officer of the Group in December 2014. Mr Koh has been instrumental in driving the strategic direction and development of the Group's businesses since his appointment, and plays a pivotal role in the Group's diversification and expansion.

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 HDformat 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, Chairman of the Audit Committee and member of the Remuneration Committee on 31 July 2013.

Mr Yeo had previously held various leadership appointments including Chief Operating Officer and Executive Director of SGX-listed CarrierNet Global Ltd.; Regional Sales Manager at Nagamei Marine Pte. Ltd.; Chief Operating Officer of Indonesia-based PT. Atlasat Solusindo; and Regional Sales Manager of 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.

# 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.

Mr Kee is currently the Managing Partner of 125 Capital LLP, an Investment Management company.

Prior to that, Mr Kee was 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.

Mr Wong is currently 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 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

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Mr Jason Aleksander Kardachi was appointed as a Non-Executive Director of Oceanus Group Limited on 13 April 2015.

Mr Kardachi has served as a Director of PT Berlian Laju Tanker Tbk from 19 March 2014 to 20 July 2016 and has served as a Director of PT Trikomsel Oke Tbk since 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 13 April 2015.

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

# A/Prof Matthew Tan

## Chief Executive Officer, Oceanus Tech Pte Ltd

Associate Professor Matthew Tan is currently the Chief Executive Officer and Director of Oceanus Tech Pte Ltd, which is a wholly owned subsidiary of Oceanus Group.

A/Prof Tan was previously holding the joint appointment of Chief Technology Officer in the holding company (from Sept'13 to Oct'17) until his recent appointment as CEO of Oceanus Tech. In his current capacity, he will continue to provide technical oversight to the holding company.

A/Prof Tan is a veteran in the aquaculture industry and is responsible for the development of the company's Risk Management framework and farms' operational protocols and oversaw the development and implementation of the company farm's Bio-security plan which includes the validation & adoption of sustainable technologies, implementation of water monitoring system, animal nutrition & feed formulation and use of Recirculating Aquaculture technologies in their farms.

Alongside Oceanus Group push towards consolidating and standardising its operational procedures, he is also in the midst of developing the Group's operations manual to enable the smooth operations of its Bio-secured facilities.

Oceanus Tech is the Research & Development arm of the holding company. Its primary responsibilities are as follow:

- Acquisition and adoption of proven cutting edge technologies for use in aquaculture
- Collaboration with tertiary institutions
- Test bedding of new technologies on a commercial platform
- Acquisition or licensing of relevant technologies
- Provision of consultancy services to our partners and the industry

A/Prof Tan brings a wealth of experience to the Oceanus Group. He was previously the CEO of an environmental engineering company (10 years plus) where he has been involved in the extensive implementation of engineering solutions to waste water and aquaculture industry in both Singapore and Asia.

He has a vision of developing evidence-based science and technology that is both ECO friendly and sustainable. In the past 10 years, he has been extensively involved in application development for the aquaculture industry and has successfully developed a set of land based protocols for the sustainable farming of food-fish in Singapore.

As Singapore Representative (private sector) to APEC PPFS (Asia Pacific Economic Cooperation – Policy Partnership for Food Security), A/Prof Tan is also currently the Co-Chair of the APEC PPFS Working group responsible for Sustainable Development in Agriculture and Fisheries sectors. In his capacity as Co-Chair, he co-ordinates discussions between APEC governments and the private sector on the use of technology and combined resources for Sustainable Development of Agriculture and Fisheries Sectors within the APEC region.

A/Prof Tan is also graduate of SEAFDEC (Southeast Asian Fisheries Development Centre) – Asia's leading fishery institution; where he received training under a Government of Japan – Trust Fund Fellowship Programme in hatchery and grow-out, sea weed and Benthic Diatom culture and production.

In addition to his professional commitments, he is also currently serving as an Adjunct Associate Professor (Aquaculture) and Senior Research Fellow (ADJ) with the Centre for Sustainable Tropical Fisheries and Aquaculture (CSTFA) – College of Science and Engineering, James Cook University Australia. He was also previously serving as an Associate Professor (ADJ) with School of Chemical and Biomedical Engineering, Nanyang Technological University.

Current external appointments:

1. Expert Member – Aquaculture: National Mirror Working Group for ISO TC 281 – SMF Standards Development Organisation.
2. Advisor (HON) – Centre for Aquaculture and Veterinary Science, School of Applied Science, Temasek Polytechnic.
3. School Advisory Committee member: School of Applied Sciences (SAS), Republic Polytechnic.

# Ms Tan May Ling

## Financial Controller

Ms Tan May Ling was appointed Group Financial Controller on 1 February 2017 and is responsible for overseeing all accounting, financial and corporate secretarial matters of the Group.

A veteran with close to four decades of industry experience, Ms Tan has held several finance and accounting roles in companies of various sizes, ranging from small-medium enterprises to multinational corporations including Samco Civil Engineering Pte Ltd, Fusion Cosmetics Pte Ltd, Trade Alliance (S) Pte Ltd, and Borneo Sumatra Trading Co (S) Pte Ltd. Over the years, Ms Tan has amassed deep experience and capabilities in the areas of audit, taxation, GST and secretarial matters.

Ms Tan holds a Graduate Diploma in Financial Management from the Singapore Institute of Management.

# 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

**REGISTERED OFFICE**
31 Harrison Road
#11-03/04 Food Empire Building
Singapore 369649
Tel: (65) 6285 0500
Fax: (65) 6280 0822
www.oceanus.com.sg

**REGISTRAR**
Boardroom Corporate &
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 Group in the context of the Group's business and organisation structure.

This 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 its 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 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.

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 end 31 December 2016 are, as follows:

| | Board | Audit Committee | Nominating Committee | Remuneration Committee |
|---|---|---|---|---|
| **Number of meetings held** | 5 | 4 | 1 | 1 |
| | **Number of meetings attended** | | | |
| Ng Cher Yew[(1)] | 5 | N.A. | 1 | N.A. |
| Peter Koh Heng Kang | 4 | N.A. | N.A. | N.A. |
| Stephen Lee | 5 | 4 | 1 | 1 |
| Kee Poir Mok | 5 | 4 | 1 | 1 |
| Yeo Kan Yen, Alvin | 5 | 4 | 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*

Board members have been and will be encouraged to attend seminars and receive training to improve themselves in the 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 Directors 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 Directors, 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% shareholder. 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 and independent element 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. 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. The independence of each Director has been and will be reviewed annually by the NC. The NC has reviewed and determined that the said Directors are independent. 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".

**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 are separate, serving to institute an appropriate balance of power and authority.

Dr Ng Cher Yew was the Executive Chairman and was redesignated as Non-Executive Chairman with effect from 30 November 2015, whilst Mr Peter Koh Heng Kang holds the position of Chief Executive Officer ("**CEO**") and Executive Director 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 is 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 should meet periodically without the presence of the Executive Directors and Management, and the Lead Independent Director should provide feedback to the Chairman after such 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, 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 principal role 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 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 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 assessment of the effectiveness of the Board as a whole and its Board Committees and 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 background and explanatory statements, 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 Secretary. The Company Secretary attends Board meetings and ensures that Board procedures and the provisions of applicable laws, the Constitution and the Listing Manual of the SGX-ST are followed and that proper minutes of the same are taken and kept. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

**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 one (1) Non-Executive Director, namely Mr Stephen Lee. Mr Wong Ann Chai is the Chairman of the RC.

The principal role 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.

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 Company is also currently exploring the feasibility of putting in place employee share option and/or performance share schemes, as a motivational tool to recruit and retain talented senior executives and reward for the Group and individual performance, as well as enhance the Group's overall compensation packages to attract and retain high performing talent.

**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 senior management personnel to ensure that the structure is fair and competitive, keeping with industry practices yet sufficient to attract, retain and motivate senior management to run the Company successfully in order to maximize shareholders' value. The recommendations of the RC on the remuneration of Directors and senior management 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 2016 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 Yee, Alvin | – | 100% | – | – |
| Kee Poir Mok | – | 100% | – | – |
| Stephen Lee | – | 100% | – | – |
| Jason Aleksander Kardachi | – | 100% | – | – |
| Wong Ann Chai | – | 100% | – | – |

The top executive (who was not Director) of the Group during the financial year ended 31 December 2016 fell within the remuneration band of below S$250,000:

– Matthew Tan – Chief Risk Officer cum Chief Technology Officer ("**CRO cum CTO**")*

Note:
**Professor Tan ceased to be the CRO cum CTO of the Group with effect from 1 November 2017*

The aggregate remuneration paid to the above key management personnel (who is not Directors or the CEO) for the financial year ended 31 December 2016 is S$41,000. There is no other key executives except for the abovementioned.

The remuneration of the Directors and the CEO is not disclosed to the nearest thousand dollar in this report as the Company and Management have concerns that disclosing the detailed breakdown of the remuneration of the directors and the CEO 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 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 Keng Guan 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$50,000 to S$100,000 for the financial year ended 31 December 2016. He was the Country Manager (China Operations) and was promoted as Operations Directors (China Operations) on 1 June 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

Audit Committee 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.

The 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.

The AC is assisted by Management (the Executive Director, the CRO cum CTO, the Country Manager, (China Operation)) and the work performed by the external auditors, carry 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 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. To facilitate the AC, external auditors to make an informed assessment of the Group's internal controls, information such as financial records and financial statements are provided by Management.

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.

**RISK MANAGEMENT**

As the Group does not have a risk management committee, the Board, AC, Management assume the responsibility of the risk management function. Management reviews regularly 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, had implemented 2 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 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 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. The Company, has on 1 August 2016, appointed Ms Tan Pern Yeen as the Group Financial Controller ("FC") of the Company. She was resigned on 17 February 2017 and details of her cessation were released in the announcement dated 16 February 2017.

There was no mention of the assurance received from the FC as required under Guideline 11.3 of the Code for the financial statements under review as the previous FC was resigned on February 2017.

Ms Tan May Ling was appointed as 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 principal role 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 the 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 AC have sufficient financial and/or management expertise, as interpreted by the Board in its business judgment, to discharge the AC's functions.

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 Koo Tan LLP ("FKT") annually. FKT did not provide any non-audit services to the Group.

For the financial year ended 31 December 2016, the aggregate amount of the agreed audit fees to be paid to FKT is RMB772,000.

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 2016.

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.

**Principle 13: Internal Audit**

**The company should establish an 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.

The AC is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience.

## 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 releases 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.

**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 SGX-ST Listing Manual 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 releases, 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. 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 releases;
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 releases 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, the NC and the 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.

**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**

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 2016 or entered into since the end of the previous financial year ended 31 December 2015.

## LOAN PROCEEDS AND RESTRUCTURING

During the financial year 2015, the Company has obtained from its shareholders their approval in respect of the Proposed Restructuring (as defined in the Company's circular to shareholders dated 6 May 2015, the "**Circular**"). Under the Proposed Restructuring, the Company has secured cash injections of an aggregate amount of S$32,500,000, comprising (i) S$30,000,000 from the OKGL Loan (as defined in the Circular); and (ii) S$2,500,000 from the Financing Shareholders Loans (as defined in the Circular) (collectively, the "**Proceeds**").

The Company has to date received a total of S$9,200,000 as opposed to the full S$30,000,000 cash injection pursuant the OKGL Loan. These proceeds, together with the OWIL Loan and BWIL (as defined in the Circular), are undergoing a debt restructuring exercise as set out in a binding term sheet entered into between the Company, OKGL, OWIL and BWIL on 8 September 2016.

# 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 2016.

**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 2016 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) to the financial statements, 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.

**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**

Except as disclosed under the "Share options" section of this report, 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 1.1.2016 | As at 31.12.2016 | As at 1.1.2016 | As at 31.12.2016 |
| **The Company – Oceanus Group Limited** | Number of ordinary shares | | | |
| Kee Poir Mok | 175,234,975 | **175,234,975** | – | **–** |

**Share options**

During the financial year ended 31 December 2015, the Company

- issued 707,692,308 warrants to the third party lender with each warrant exercisable into one share at the exercise price of S$0.013 per warrant;

- issued 47,237,779 warrants to the financing shareholders with each warrant exercisable into one share at the exercise price of S$0.013 per warrant; and

- cancelled existing 1,018,565,587 warrants under Convertible Loan 2012 and issued 2,971,069,187 warrants under the refinanced Convertible Loan 2015 to the existing warrant holders, with each warrant exercisable into one share at the exercise price of S$0.02167 per warrant.

As at 31 December 2016 and 2015, the number of unexercised warrants is 3,725,999,274 comprising 754,930,087 warrants with an exercise price of S$0.013 per warrant and 2,971,069,187 warrants with an exercise price of S$0.02167 per warrant.

No options to take up unissued shares of the Company or its subsidiaries have been granted during the financial year.

No shares were issued during the financial year by virtue of the exercise of the options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under option at the end of the financial year.

**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 SGX Listing Manual and the Code of Corporate Governance. 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;

(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 2016 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 Singapore Exchange).

**Audit Committee (Cont'd)**

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 Report on Corporate Governance.

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

**Independent auditor**

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

On behalf of the Directors

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PETER KOH HENG KANG

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YEO KAN YEN, ALVIN

Dated: 4 December 2017

**Report on the financial statements**

We were engaged to audit the accompanying financial statements of Oceanus Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2016, 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 a summary of significant accounting policies and other explanatory information.

**Management's responsibility 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 Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, 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.

**Auditor's responsibilities**

Our responsibility is to express an opinion on these financial statements based on conducting our audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

**Basis for Disclaimer of Opinion**

(1) Going concern

As discussed in Note 2(a) to the financial statements, as at 31 December 2016, the Group and the Company had net current liabilities of RMB599,679,000 and RMB524,891,000 (2015 – RMB557,417,000 and RMB489,803,000), and had a deficit in shareholders' funds of RMB490,798,000 and RMB419,103,000 (2015 – RMB397,763,000 and RMB358,330,000) respectively. The Group incurred a loss after tax of RMB62,236,000 and a total comprehensive loss of RMB93,035,000. The Group had convertible loans of RMB352,896,000 of which RMB308,774,000 was due on 31 December 2016. As at 31 December 2016, interest on convertible loans in arrear was RMB49,189,000 (2015 – RMB28,445,000). These factors indicate the existence of a material uncertainty which may cast a significant doubt on the Group's and Company's ability to continue as a going concern.

The matters set out above and in Note 2(a) to the financial statements indicate the existence of a material uncertainty which cast a significant doubt on the Group's and the Company's ability to continue as a going concern. The going concern assumption under which the financial statements are prepared is dependent on the successful conclusion of the debt restructuring exercise as disclosed in Note 33 to the financial statements, disposal of assets that are not related to its current operations and positive cash flow from its operations in future.

The financial statements of the Group and the Company do not include any adjustments relating to the realisation and classification of asset amounts that may be necessary if the Group and the Company are unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments would have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the consolidated statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No adjustments have been made in the financial statements of the Group and the Company in respect of these. The ability of the Group and the Company to continue as going concerns depends on the successful outcome of the matters set out above which cannot be determined at present. Therefore, we are not able to form an opinion as to whether the going concern basis of presentation of the accompanying financial statements of the Group and the Company is appropriate.

(2) Biological assets

As at 31 December 2016, the carrying amount of the biological assets was RMB6,404,000 (2015 – RMB2,418,000).

Management did not conduct a physical count of the biological assets as at 31 December 2016 and 31 December 2015. Hence, we were unable to satisfy ourselves by alternative means concerning the existence, quantity and the accuracy of the costs of the biological assets held at 31 December 2016 and 31 December 2015.

(3) Recoverable amount of property, plant and equipment and prepaid leases and impairment losses

As described in Note 4 and Note 5 of the consolidated financial statements, the Group had carried out an impairment assessment over its property, plant and equipment and prepaid leases.

The recoverable amount was based on the cash-generating unit's fair value less costs to sell, as determined by an independent professional valuer based on the market approach and cost approach, which was higher than value-in-use.

As described in Note 4, management had not recognised a reversal of impairment loss on property, plant and equipment and prepaid leases amounting to RMB28,843,000 and RMB137,000, respectively, for the year ended 31 December 2016. This is not in compliance with FRS 36 *Impairment of Assets*.

As at 31 December 2016, the carrying amount of the Group's buildings and farm structures constructed on land leased from third parties ("Collectively-owned Land") and the related prepaid leases amounted to RMB121,193,000 and RMB1,214,000 (2015 – RMB154,679,000 and RMB1,352,000), respectively.

In assessing the fair value of these buildings and farm structures and the related prepaid leases, the valuer had made certain key assumptions as follows:

(1) the Collectively-owned Land is freely transferable to any third party in the open market;

(2) consent for the land transfer will be granted by the individual owners of the land; and

(3) recoverable amount of property, plant and equipment and prepaid leases and impairment losses.

It was assumed that the relevant regulatory documents required for the land transfer had been obtained. As at 31 December 2016 and 31 December 2015, no separate transfer agreements had been entered into with the individual owners of the land to transfer the ownership to the Group.

In the absence of legally binding contractual arrangements and the resultant uncertainty over transferability of Collectively-owned Land in the key assumptions used in the determination of impairment loss, we were unable to satisfy ourselves by alternative means concerning the impairment loss amounts calculated for the year ended 31 December 2016 and 31 December 2015, and carrying amount of these assets as at 31 December 2016 and 31 December 2015.

(4) Trade and other payables and supporting documents

As at 31 December 2016, trade and other payables included amounts of RMB8 million (2015 – 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 2016 and 31 December 2015 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 (2015 – RMB8 million) in aggregate as at 31 December 2016 and 31 December 2015.

(5) Convertible loans

The Group refinanced Convertible Loan 2012 with Convertible Loan 2015 during the year ended 31 December 2015 (Note 18).

Management did not estimate the fair value of Convertible Loan 2015 to assess gain or loss on de-recognition of Convertible Loans 2012, and the allocation of the carrying amount of Convertible Loan 2015 to the liability and equity components upon initial recognition. Interest was accrued based on the notional interest rate, instead of effective interest rate, for the year ended 31 December 2016 and 31 December 2015.

We were unable to satisfy ourselves by alternative means concerning the classification of Convertible Loan 2015 into the liability and equity components and its carrying amount as at 31 December 2016 and 31 December 2015, and the related interest expense based on effective interest rate for the years ended 31 December 2016 and 31 December 2015.

(6) Loans

As described in Note 15 to the financial statements, warrants were issued 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 RMB1,894,000 and RMB14,071,000 (2015 – RMB1,811,000 and RMB4,093,000), 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*.

As described in Note 31.6, management had assumed the total carrying value of loans from shareholders and loans from third parties as at 31 December 2016 amounting to RMB1,894,000 and RMB14,071,000 (2015 – RMB1,811,000 and RMB4,093,000), respectively, approximated the fair value without carrying out an assessment using an appropriate valuation technique and inputs thereto. This constituted a departure from FRS107 *Financial Instruments Disclosure*.

We were unable to satisfy ourselves by alternative means concerning the classification of these loans into the liability and equity components and their carrying amount as at 31 December 2016 and 31 December 2015, interest on these loans to be computed based on the effective interest rate for the years ended 31 December 2016 and 31 December 2015 and the related accrued interest as at 31 December 2016 and 31 December 2015, and the fair value of these loans to be disclosed in the financial statements as at 31 December 2016 and 31 December 2015.

(7) Other payables

As at 31 December 2016, other payables included an amount of RMB1,000,000 payable to the Group's Executive Director (Note 17).

This liability amount arose from the Group Executive Director's payment 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.

We were not able to carry out auditing procedures on this liability amount as at 31 December 2016 because documentation supporting the transaction were not available. 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.

**Disclaimer of opinion**

Because of the significance of the matters described in the basis for disclaimer of opinion section above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

**Other Matter**

Independent auditor's report for the financial year ended 31 December 2015

The independent auditor's report dated 3 May 2017 on the financial statements for the financial year ended 31 December 2015 of which we were auditors expressed a disclaimer of audit opinion. The matters included in the auditor's report have a consequential material impact on the opening balances in the Basis for Disclaimer of Opinion paragraph stated above.

Placement on the Watch-List

On 2 March 2016, the Company announced that the Singapore Exchange Securities Trading Limited (the "SGX-ST") has notified the Company that pursuant to Rule 1311(1), it will be placed on the Watch-List with effect from 3 March 2016 due to the financial entry criteria. The Company must take active steps to meet the requirements of Listing Rule 1314(1) of the Listing Manual of the SGX-ST (the "Listing Manual") for its removal from Watch-List within 36 months from 3 March 2016, failing which the SGX-ST may either remove the Company from the official list of the SGX-ST (the "Official List") or suspend trading of the Company with a view to remove the Company from the Official List.

**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.

Foo Kon Tan LLP
*Public Accountants and*
*Chartered Accountants*

Singapore, 4 December 2017

# Statements of Financial Position
**As at 31 December 2016**

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | | **31 December 2016** | 31 December 2015 | **31 December 2016** | 31 December 2015 |
| | Note | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| **ASSETS** | | | | | |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 4 | **154,645** | 197,657 | **–** | – |
| Prepaid leases | 5 | **6,007** | 6,007 | **–** | – |
| Investments in subsidiaries | 6 | **–** | – | **157,559** | 175,483 |
| | | **160,652** | 203,664 | **157,559** | 175,483 |
| **Current Assets** | | | | | |
| Inventories | 7 | **180** | 110 | **–** | – |
| Trade receivables | 8 | **11** | 74 | **–** | – |
| Other receivables | 9 | **5,025** | 4,685 | **13,846** | 3,129 |
| Biological assets | 10 | **6,404** | 2,418 | **–** | – |
| Cash and bank balances | 11 | **9,545** | 2,209 | **3,170** | 151 |
| | | **21,165** | 9,496 | **17,016** | 3,280 |
| **Total assets** | | **181,817** | 213,160 | **174,575** | 178,763 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and Reserves** | | | | | |
| Share capital | 12 | **2,413,255** | 2,413,255 | **2,413,255** | 2,413,255 |
| Reserves | 13 | **(2,904,053)** | (2,811,018) | **(2,832,358)** | (2,771,585) |
| **Equity attributable to owners of the Company** | | **(490,798)** | (397,763) | **(419,103)** | (358,330) |
| **Total equity** | | **(490,798)** | (397,763) | **(419,103)** | (358,330) |
| **Non-Current Liabilities** | | | | | |
| Deferred tax liabilities | 14 | **–** | – | **–** | – |
| Loans and borrowings | 15 | **7,649** | 1,811 | **7,649** | 1,811 |
| Convertible loans | 18 | **44,122** | 42,199 | **44,122** | 42,199 |
| | | **51,771** | 44,010 | **51,771** | 44,010 |
| **Current Liabilities** | | | | | |
| Trade payables | 16 | **10,676** | 10,662 | **–** | – |
| Other payables | 17 | **121,581** | 91,781 | **77,268** | 52,561 |
| Loans and borrowings | 15 | **8,316** | 4,093 | **8,316** | 4,093 |
| Convertible loans | 18 | **308,774** | 295,312 | **308,774** | 295,312 |
| Derivative liability | 19 | **147,549** | 141,117 | **147,549** | 141,117 |
| Current tax payable | | **23,948** | 23,948 | **–** | – |
| | | **620,844** | 566,913 | **541,907** | 493,083 |
| Total liabilities | | **672,615** | 610,923 | **593,678** | 537,093 |
| **Total equity and liabilities** | | **181,817** | 213,160 | **174,575** | 178,763 |

*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 2016**

| Continuing operations | Note | Year ended 31 December 2016 RMB'000 | Year ended 31 December 2015 RMB'000 |
|---|---|---|---|
| Revenue | 3 | **10,375** | 4,844 |
| Cost of inventories | | **(5,932)** | (3,759) |
| Gain arising from changes in fair value less costs to sell biological assets | 10 | **9,554** | 5,155 |
| Other operating income | 20 | **8,481** | 20,830 |
| Feed used | | **(4,563)** | (2,017) |
| Electricity, fuel and water | | **(873)** | (2,054) |
| Staff costs | 23 | **(7,602)** | (11,776) |
| Amortisation of prepaid leases | 5 | **(230)** | (415) |
| Impairment loss on prepaid leases | 5 | **(83)** | (1,492) |
| Impairment loss on property, plant and equipment | 4 | **(9,142)** | (44,335) |
| Depreciation of property, plant and equipment | 4 | **(34,749)** | (18,530) |
| Other operating expenses | 21 | **(9,362)** | (14,054) |
| Finance costs | 22 | **(17,791)** | (34,949) |
| **Loss before taxation** | 23 | **(61,917)** | (102,552) |
| Income tax credit | 24 | **–** | 1,890 |
| **Loss for the year from continuing operations** | | **(61,917)** | (100,662) |
| **Discontinued operations** | | | |
| (Loss)/profit for the year from discontinued operations | 29 | **(319)** | 3,422 |
| **Loss for the year** | | **(62,236)** | (97,240) |
| **Loss attributable to:** | | | |
| Owners of the Company | | **(62,236)** | (97,240) |
| | | **(62,236)** | (97,240) |
| **Loss per share** | | | |
| From continuing and discontinued operations | | | |
| Basic and diluted (fen) | 26 | **(1.36)** | (2.51) |
| From continuing operations | | | |
| Basic and diluted (fen) | 26 | **(1.36)** | (2.60) |

*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 2016**

| | Note | **Year ended 31 December 2016 RMB'000** | Year ended 31 December 2015 RMB'000 |
|---|---|---|---|
| **Loss for the year** | | **(62,236)** | (97,240) |
| **Other comprehensive loss after tax** | | | |
| **Items that will be reclassified subsequently to profit or loss** | | | |
| Exchange differences on translation of foreign operations at nil tax | 25 | **(30,799)** | (19,386) |
| **Total comprehensive loss for the year, net of tax** | | **(93,035)** | (116,626) |
| **Total comprehensive loss attributable to:** | | | |
| Owners of the Company | | **(93,035)** | (116,626) |
| | | **(93,035)** | (116,626) |

# Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2016

| The Group | Share capital RMB'000 | Capital reserve RMB'000 | Warrant reserve RMB'000 | Currency translation reserve RMB'000 | Statutory reserve RMB'000 | Accumulated losses RMB'000 | Total equity 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 loss for the year** | | | | | | | |
| Loss for the year | **–** | **–** | **–** | **–** | **–** | **(62,236)** | **(62,236)** |
| **Other comprehensive loss** | | | | | | | |
| Exchange differences arising from translation | **–** | **–** | **–** | **(30,799)** | **–** | **–** | **(30,799)** |
| **Total comprehensive loss for the year** | **–** | **–** | **–** | **(30,799)** | **–** | **(62,236)** | **(93,035)** |
| **Translations with owners, recognised directly in equity:** | | | | | | | |
| Issuance of shares | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Total translations with owners, recognised directly in equity** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **At 31 December 2016** | **2,413,255** | **(1,137,504)** | **101,651** | **(994)** | **39,262** | **(1,906,468)** | **(490,798)** |
| At 1 January 2015 | 2,373,685 | (1,137,504) | 101,651 | 49,191 | 39,262 | (1,746,992) | (320,707) |
| **Total comprehensive loss for the year** | | | | | | | |
| Loss for the year | – | – | – | – | – | (97,240) | (97,240) |
| **Other comprehensive loss** | | | | | | | |
| Exchange differences arising from translation | – | – | – | (19,386) | – | – | (19,386) |
| **Total comprehensive loss for the year** | – | – | – | (19,386) | – | (97,240) | (116,626) |
| **Translations with owners, recognised directly in equity:** | | | | | | | |
| Issuance of shares (Note 12) | 39,570 | – | – | – | – | – | 39,570 |
| **Total translations with owners, recognised directly in equity** | 39,570 | – | – | – | – | – | 39,570 |
| **At 31 December 2015** | 2,413,255 | (1,137,504) | 101,651 | 29,805 | 39,262 | (1,844,232) | (397,763) |

*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 2016**

| | Note | **Year ended 31 December 2016 RMB'000** | Year ended 31 December 2015 RMB'000 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Loss before taxation | | | |
| Continuing operations | | **(61,917)** | (102,552) |
| Discontinued operations | | **(319)** | 3,422 |
| | | **(62,236)** | (99,130) |
| Adjustments for: | | | |
| Gain arising from changes in fair value less costs to sell of biological assets | 10 | **(9,554)** | (5,155) |
| Depreciation of property, plant and equipment | 4 | **34,749** | 18,530 |
| Loss/(gain) on disposal of property, plant and equipment and prepaid leases | 20, 21 | **4** | (284) |
| Impairment loss on property, plant and equipment | 4 | **9,142** | 44,335 |
| Amortisation of prepaid leases | 5 | **230** | 415 |
| Impairment loss on prepaid leases | 5 | **83** | 1,492 |
| Unrealised foreign exchange gain | | **(6,604)** | (18,181) |
| Interest income | 20 | **(1)** | (1) |
| Interest expense | 22 | **17,696** | 34,949 |
| Operating loss before working capital changes | | **(16,491)** | (23,030) |
| Change in inventories | | **(70)** | (108) |
| Change in trade receivables | | **63** | (74) |
| Change in other receivables and deposits | | **(149)** | (35) |
| Change in biological assets | | **5,932** | 2,778 |
| Change in trade payables | | **14** | (4,514) |
| Change in other payables | | **9,091** | 4,333 |
| Cash used in operations | | **(1,610)** | (20,650) |
| Interest received | | **1** | 1 |
| Interest paid | | **–** | (46) |
| Income tax paid | | **–** | – |
| Net cash used in operating activities | | **(1,609)** | (20,695) |
| **Cash Flows from Investing Activities** | | | |
| Acquisition of property, plant and equipment | | **(890)** | (113) |
| Proceeds from disposal of property, plant and equipment and prepaid leases | | **7** | 1,670 |
| Net cash (used in)/generated from investing activities | | **(883)** | 1,557 |

*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 2016

| | Note | **Year ended 31 December 2016 RMB'000** | Year ended 31 December 2015 RMB'000 |
|---|---|---|---|
| **Cash Flows from Financing Activities** | | | |
| Proceeds from borrowings | | **9,789** | 17,386 |
| Net cash generated from financing activities | | **9,789** | 17,386 |
| Net increase (decrease) in cash and cash equivalents | | **7,297** | (1,752) |
| Effect of cash and cash equivalent denominated in foreign currencies | | **39** | (4) |
| Cash and cash equivalents at beginning of year | | **2,209** | 3,965 |
| Cash and cash equivalents at end of year | 11 | **9,545** | 2,209 |

***Significant non-cash transactions:***

On 29 September 2015, the Company issued 218,276,492 shares at S$0.00864 per share to the financing shareholders (Note 12) of which 140,355,396 shares were for partial settlement of the outstanding loans; and 710,634,793 shares, comprising 201,322,979 shares at S$0.013 per share and 509,311,814 shares at S$0.00864 per share, as partial settlement of the accrued interest on the convertible bonds.

*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 2016 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) 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.

**Going concern**

As at 31 December 2016, the Group and the Company had net current liabilities of RMB599,679,000 and RMB524,891,000 (2015 – RMB557,417,000 and RMB489,803,000), and had a deficit in shareholders' funds of RMB490,798,000 and RMB419,103,000 (2015 – RMB397,763,000 and RMB358,330,000) respectively. The Group incurred a loss after tax of RMB62,236,000 (2015 – RMB97,240,000) and a total comprehensive loss of RMB93,035,000 (2015 – RMB116,626,000). The Group had convertible loans (Note 18) of RMB352,896,000 (2015 – RMB337,511,000) of which RMB308,774,000 was due on 31 December 2016. As at 31 December 2016, interest on convertible loans in arrear was RMB49,189,000 (2015 – RMB28,445,000). These factors indicate the existence of a material uncertainty which may cast a significant doubt on the Group's and Company's ability to continue as a going concern.

The financial statements have been prepared on a going concern basis, where the Group has entered into the binding term sheet with their key secured creditors to convert 75.4% of their outstanding debts to equity, and the balance SGD20 million debt will be paid from net proceeds from the sale of their PRC land farm to the local authorities. The viability of the Group and the Company's operations to continue as a going concern for the next twelve months after the end of the reporting period is dependent on the completion of the above management's plan, disposal of assets that are not related to its current operations and positive cash flow from its operations in future.

## 2(a) Basis of preparation (Cont'd)

### Going concern (Cont'd)

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary if the Group and the Company are unable to continue in operation in the foreseeable future.

If for any reason the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to provide for further liabilities which may arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. No such adjustments have been made to the financial statements of the Group and the Company in respect of these.

### Significant accounting estimates, assumptions 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.

#### 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.

## 2(a) Basis of preparation (Cont'd)

### Significant accounting estimates, assumptions and judgements (Cont'd)

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

Within the People's Republic of China, 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 (2015 – RMB23,948,000).

As at 31 December 2016, the Group did not recognise deferred tax assets in relation to unutilised tax losses amounting to RMB548,326,000 (2015 – RMB1,159,390) due to uncertainty over which future taxable profit will be available against which the Group can utilise such benefit.

### Critical accounting estimates and assumptions used in applying accounting policies

Biological assets (Note 10)

The value of biological assets were measured based on the market approach and cost approach for abalones with different sizes, depending on the availability of market prices and the commencement of revenue-generating process.

The fair value of juvenile abalones measured more than 1cm was assessed based on the market approach which considers the most relevant forward prices for similar assets at the balance sheet date.

## 2(a) Basis of preparation (Cont'd)

### Significant accounting estimates, assumptions and judgements (Cont'd)

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

Biological assets (Note 10) (Cont'd)

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 2016, the carrying amounts of biological assets is RMB6,404,000 (2015 – RMB2,418,000).

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

Property, plant and equipment and land use rights 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 land use rights 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 land use rights. 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 RMB154,645,000 (2015 – RMB197,657,000), RMB6,183,000 (2015 – RMB6,496,000), and RMB157,559,000 (2015 – RMB175,483,000) respectively.

## 2(a) Basis of preparation (Cont'd)

**Significant accounting estimates, assumptions and judgements (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 RMB154,645,000 (2015 – RMB197,657,000). If depreciation on the Group's property, plant and equipment increases/decreases by 5% from management's estimate, the Group's loss for the year will increase/decrease by approximately RMB1,737,000 (2015 – RMB927,000).

Impairment of loans and receivables (Note 8, 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 31) of the Group at the reporting date amounted to RMB4,824,000 (2015 – RMB4,222,000). If the present value of estimated future cash flows decrease/increase by 5% from management's estimates, the Group's loss will increase/decrease by RMB241,000 (2015 – RMB211,000).

## 2(b) Interpretation and amendments to published standards

**Interpretations and amendments effective in 2016**

On 1 January 2016, the Group has applied the new and revised standards, amendments and interpretation of FRSs that are mandatory for application from that date.

The adoption of the new and revised standards, amendments and interpretations of FRSs did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current period or prior financial year.

**FRS and INT FRS not yet effective**

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by ASC that are not yet effective, and have not been adopted early by the Group. Information on those expected to be relevant to the Group's financial statements is provided below.

## 2(b) Interpretation and amendments to published standards (Cont'd)

**FRS and INT FRS not yet effective (Cont'd)**

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the SGX-ST will apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for financial year ending 31 December 2018 onwards. Singapore incorporated companies listed on the SGX-ST will have to assess the impact of IFRS 1 First-time adoption of IFRS when transitioning to the new reporting framework. The Group is currently assessing the impact of transitioning to the new reporting framework on its financial statements.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. The directors do not anticipate that the application of these new and revised FRSs will have a material impact on the financial statements of the Group and the Company except for the following which may be relevant to the Group and may have a significant effect on the consolidated financial statements in future financial periods.

| Reference | Description | Effective date (Annual periods beginning on or after) |
|---|---|---|
| Amendments to FRS 7 | *Statement of Cash Flows* | 1 January 2017 |
| Amendments to FRS 12 | *Recognition of Deferred Tax Assets for Unrecognised losses* | 1 January 2017 |
| FRS 115 | *Revenue from Contracts with Customers* | 1 January 2018 |
| Clarifications to FRS115 | *Revenue from Contracts with Customers* | 1 January 2018 |
| FRS 109 | *Financial Instruments* | 1 January 2018 |
| Amendments to FRS 40 | *Transfers of Investment Property* | 1 January 2018 |
| INT FRS 22 | *Foreign Currency Transactions and Advance Consideration* | 1 January 2018 |
| FRS 116 | *Leases* | 1 January 2019 |

Amendments to FRS 7 *Statement of Cash Flows*

The amendments to FRS 7 *Statement of Cash Flows* are part of an initiative that ASC has undertaken to improve the effectiveness of disclosures in financial reports. Companies would need to reconcile cash flows arising from financial 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. As this is a disclosure standard, it will not have any impact on the statement of cash flows of the Group when implemented.

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.

## 2(b) Interpretation and amendments to published standards (Cont'd)

**FRS and INT FRS not yet effective (Cont'd)**

Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (Cont'd)

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

The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments. So far, the Group does not expect any significant impact.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 *Revenue from Contracts with Customers* requires the entity to recognise revenue which depict transfer of promised goods or services to customers in an amount that reflects the consideration (payment) to which the entity expects to be entitled in exchange for those goods or services. FRS 115 is effective for annual periods beginning on or after 1 January 2018. Management is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

The amendments clarify 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.

The amendments have the same effective date as the Standard, FRS 115, i.e. on 1 January 2018.

FRS 109 *Financial Instruments*

FRS 109 *Financial Instruments* replaces FRS 39 and it is a package of improvements introduced by FRS 109 includes a logical model for:

- classification and measurement,

- a single, forward-looking "expected loss" impairment model and

- a substantially reformed approach to hedge accounting

FRS 109 is effective for annual periods beginning on or after 1 January 2018. The adoption of FRS 109 will have an impact on the classification and measurement of financial assets, but no impact on the classification and measurement of financial liabilities. The Group is currently assessing the impact to the financial statements.

## 2(b) Interpretation and amendments to published standards (Cont'd)

**FRS and INT FRS not yet effective (Cont'd)**

Amendments to FRS 40 *Transfers of Investment Property*

Under the amendments in FRS 40 Transfers of Investment Property has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

The amendments are effective on 1 January 2018. However, earlier adoption is permitted. The amendments would be applied retrospectively in accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

INT FRS 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 *FRS 8 Accounting Policies, Changes in Accounting Estimates and Errors*.

FRS 116 *Leases*

FRS 116 *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. FRS 116 *Leases* will be effective for accounting periods beginning on or after 1 January 2019. Early adoption will be permitted, provided the company has adopted FRS 115. The Group is currently assessing the impact to the consolidated financial statements.

## 2(c) 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.

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

**Consolidation (Cont'd)**

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.

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;

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

**Consolidation (Cont'd)**

Subsidiary (Cont'd)

- 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(c) 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.

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

### Consolidation (Cont'd)

Goodwill

The excess of the consideration transferred, the amount of any non-controlling interest in the acquire 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.

### 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

Foreign currency transactions and balances

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 measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

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.

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

### Conversion of foreign currencies (Cont'd)

Group entities

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.

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.

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

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

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.

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

**Financial assets (Cont'd)**

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.

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. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

**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.

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

### Discontinued operations (Cont'd)

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

### 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.

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

**Non-derivative financial liabilities**

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

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.

<u>Borrowings</u>

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.

<u>Convertible loans</u>

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.

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

**Non-derivative financial liabilities (Cont'd)**

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.

**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.

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

### Income taxes (Cont'd)

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.

### 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.

<u>The Group as lessee – operating lease</u>

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.

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

**Leases (Cont'd)**

<u>The Group as lessor – operating lease</u>

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**

<u>Pension obligations</u>

The Group participates in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations.

Pursuant to the relevant regulations of the PRC government, the employees of the subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government (the "Central Pension Scheme"), whereby the PRC subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the Central Pension Scheme. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the PRC subsidiaries. The only obligation of the PRC subsidiaries with respect to the Central Pension Scheme is to pay the ongoing required contributions under the Central Pension Scheme. Contributions under the Central Pension Scheme are charged to the statement of comprehensive income as incurred. The assets of the Central Pension Scheme are held separately from those of the PRC subsidiaries in independently administered funds.

<u>Defined contribution plans</u>

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.

<u>Employee leave entitlements</u>

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of each reporting period.

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

**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.

**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.

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

### 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.

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.

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

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 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 bonds.

### 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.

### Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

**Contingencies (Cont'd)**

Contingent liabilities are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

**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.

Sale of goods

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.

Interest income

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

Rental income

Rental income is recognised on a straight-line basis over the lease term.

## 3 Revenue

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

| The Group | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|
| Continuing operations: | | |
| Sales of live marine products | **5,932** | 3,759 |
| Sales of processed marine products | **4,443** | 1,085 |
| | **10,375** | 4,844 |
| Discontinued operations | **–** | – |
| | **10,375** | 4,844 |

## 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 | Construction-in-progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 January 2015 | 728,471 | 3,312 | 101,444 | 2,295 | 591 | 32,379 | 868,492 |
| Additions | – | – | – | 113 | – | – | 113 |
| Disposals | (5,232) | – | – | – | – | – | (5,232) |
| At 31 December 2015 | **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** |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2015 | 280,545 | 1,809 | 62,132 | 1,412 | 174 | – | 346,072 |
| Depreciation charge | 15,920 | – | 2,461 | 113 | 36 | – | 18,530 |
| Disposals | (3,902) | – | – | – | – | – | (3,902) |
| At 31 December 2015 | **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** |
| **Accumulated impairment** | | | | | | | |
| At 1 January 2015 | 203,212 | 1,503 | 22,556 | 735 | 296 | 32,379 | 260,681 |
| Impairment loss for the year | 42,449 | – | 1,884 | 49 | (47) | – | 44,335 |
| At 31 December 2015 | **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** |
| **Carrying amount** | | | | | | | |
| **At 31 December 2016** | **148,732** | **530** | **5,177** | **60** | **146** | **–** | **154,645** |
| At 31 December 2015 | 185,015 | – | 12,411 | 99 | 132 | – | 197,657 |

## 4 Property, plant and equipment (Cont'd)

### 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 land use rights (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.

During the financial year ended 31 December 2016, the Group tested the CGUs for impairment, and recognised an impairment charge of RMB9,142,000 (2015: RMB44,335,000), and RMB83,000 (2015: RMB1,492,000) on property, plant and equipment and prepaid leases, respectively, being the excess of the carrying amount over the recoverable amount.

The recoverable amount of certain property, plant and equipment and prepaid leases exceeded their carrying amounts by RMB28,843,000 and RMB137,000, respectively. Management had considered it appropriate not to recognise a reversal of impairment loss on these amounts which had no direct bearing on the operating performance of the Group and the Company. At this juncture, management's focus is on completion of the debt restructuring and improving the operating performance to shore up the balance sheet of the Group and the Company.

As at 31 December 2016, the carrying amount of the Group's farm structures and office buildings constructed on land leased from third parties ("Collectively-owned Land") and prepaid leases amounted to RMB121,193,000 and RMB1,214,000 (RMB154,679,000 and RMB1,352,000), respectively. In assessing the fair value of these farm structures and office buildings and the related prepaid leases, the valuer has made certain key assumptions as follows:

(1) the Collectively-owned Land are freely transferable to any third party in the open market; and

(2) consent for the land transfer will be granted by the individual owners of the land.

## 4 Property, plant and equipment (Cont'd)

Impairment testing (Cont'd)

It was assumed that the relevant regulatory documents required for the land transfer had been obtained. As at 31 December 2016, no separate transfer agreement had been entered into with the individual owners of the land to transfer the ownership to the Group.

A 3% unfavourable change in the estimation of selling prices and replacement cost of plant and equipment would result in further impairment loss by RMB1,332,000 (2015:RMB5,531,000)

As at 31 December 2016 and 2015, the entire carrying amount of property, plant and equipment has been pledged to third party lenders and the holders of convertible bonds.

## 5 Prepaid leases

| The Group | Land use rights RMB'000 | Prepayment for lease of land RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 1 January 2015 | 5,032 | 3,427 | 8,459 |
| Impairment loss for the year | 286 | (1,778) | (1,492) |
| Disposals | – | (56) | (56) |
| Amortisation for the year | (178) | (237) | (415) |
| **At 31 December 2015** | **5,140** | **1,356** | **6,496** |
| Impairment loss for the year | **–** | **(83)** | **(83)** |
| Disposals | **–** | **–** | **–** |
| Amortisation for the year | **(175)** | **(55)** | **(230)** |
| **At 31 December 2016** | **4,965** | **1,218** | **6,183** |

| The Group | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Non-current portion | **6,007** | 6,007 |
| Current portion included as prepayment under current assets (Note 9) | **176** | 489 |
| Total | **6,183** | 6,496 |

The Group's business of cultivation and sale of abalone is attributable to the live marine products cash-generating unit (the "CGU").

Impairment testing for prepaid leases is set out in Note 4.

As at 31 December 2016 and 2015, the entire carrying amount of property, plant and equipment has been pledged to third party lenders and the holders of convertible bonds.

## 6 Subsidiaries

| The Company | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Unquoted equity shares, at cost | **1,405,042** | 1,405,042 |
| Less: Accumulated impairment loss | | |
| At 1 January | **1,229,559** | 1,142,915 |
| Amount recognised during the year | **17,924** | 86,644 |
| At 31 December | **1,247,483** | 1,229,559 |
| | **157,559** | 175,483 |

The subsidiaries are:

| Name | Country of incorporation/ principal place of business | Percentage of equity held 2016 % | 2015 % | Principal activities |
|---|---|---|---|---|
| Oceanus Aquaculture Group Pte. Ltd.[(a)] | Singapore | **100** | 100 | Investment holding |
| Oceanus Food Group Pte. Ltd.[(a)] | Singapore | **100** | 100 | Investment holding |
| Oceanus Food Group Limited[(b)] | Hong Kong | **100** | 100 | Investment holding |
| **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. |
| **Subsidiary held through Oceanus Food Group Limited** | | | | |
| Zhangzhou Oceanus Food Co., Ltd[(b)] | People's Republic of China | **100** | 100 | Inactive |

## 6 Subsidiaries (Cont'd)

| Name | Country of incorporation/ principal place of business | Percentage of equity held 2016 % | 2015 % | Principal activities |
|---|---|---|---|---|
| **Subsidiary held through Oceanus Food Group Pte. Ltd.** | | | | |
| 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 |
| **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 ended 31 December 2016, the Company tested investment in a subsidiary, which is attributable to the live marine products cash-generating unit (the "CGU"), for impairment and recognised an impairment loss of RMB17,924,000 (2015: RMB86,644,000). The recoverable amount 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. Further details of the determination of the recoverable amount is set out in Note 4.

A first charge over the entire equity interests in 2 subsidiaries of the Group were created in favour of a third party lender and 2 existing warrant holders.

## 7 Inventories

| The Group | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Inventories, at cost | **180** | 110 |

## 8 Trade receivables

| The Group | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Third parties | **65,663** | 65,726 |
| Less: Impairment loss | **(65,652)** | (65,652) |
| | **11** | 74 |

Trade receivables have credit terms of up to 60 days (2015 – up to 60 days).

At the reporting date, included in trade receivables were amounts of RMB62,362,000 (2015 – RMB62,362,000) due from the Group's two major customers (2015: two major customers).

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

| The Group | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Not past due and not impaired | **11** | 74 |
| Past due and impaired | **65,652** | 65,652 |
| | **65,663** | 65,726 |
| Impairment loss on trade receivables | **(65,652)** | (65,652) |
| | **11** | 74 |

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

| The Group | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| At 1 January and 31 December | **65,652** | 65,652 |

Trade receivables denominated in RMB has been fully impaired at the reporting date. The carrying value of trade receivables of RMB11,000 is denominated in SGD.

Refer to Note 31 for foreign currency risk and credit risk exposed.

## 9 Other receivables

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| **Current** | | | | |
| Non-trade amounts due from subsidiaries | **–** | – | **1,105,388** | 1,050,212 |
| Less: Impairment loss | **–** | – | **(1,095,913)** | (1,050,212) |
| | **–** | – | **9,475** | – |
| Other receivables | **6,119** | 21,696 | **4,371** | 3,129 |
| Less: Impairment loss | **(1,401)** | (18,062) | **–** | – |
| | **4,718** | 3,634 | **4,371** | 3,129 |
| Deposits | **95** | 514 | **–** | – |
| Loans and receivables | **4,813** | 4,148 | **4,371** | 3,129 |
| Prepaid leases | | | | |
| – current portion (Note 5) | **176** | 489 | **–** | – |
| Prepayments | **36** | 48 | **–** | – |
| Total | **5,025** | 4,685 | **13,846** | 3,129 |

Movement in impairment loss on other receivables

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| At 1 January | **18,062** | 13,666 | **1,050,212** | 1,050,143 |
| Allowance made (Note 21) | **44** | 4,396 | **770** | 14,402 |
| Allowance reversed | **–** | – | **(2,953)** | – |
| Allowance utilised | **(16,705)** | – | **–** | – |
| Exchange differences | **–** | – | **47,884** | (14,333) |
| At 31 December | **1,401** | 18,062 | **1,095,913** | 1,050,212 |

The other receivables are denominated in the following currencies:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Renminbi | **434** | 517 | **–** | – |
| Singapore dollar | **4,561** | 4,134 | **13,846** | 3,129 |
| Hong Kong dollar | **5** | 11 | **–** | – |
| New Taiwan dollar | **25** | 23 | **–** | – |
| | **5,025** | 4,685 | **13,846** | 3,129 |

## 10 Biological assets

| The Group | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| At 1 January | **2,418** | 41 |
| Additions | **364** | 981 |
| Disposals | **(5,932)** | (3,759) |
| Increase in fair value less costs to sell | **9,554** | 5,155 |
| At 31 December | **6,404** | 2,418 |

The fair value of biological assets related to 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 a property 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 the availability of market prices and the commencement of revenue-generating process.

There was no physical count of biological assets as at 31 December 2016 and 2015.

## 11 Cash and bank balances

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Cash at bank | **9,545** | 2,209 | **3,170** | 151 |
| As per consolidated statement of cash flows | **9,545** | 2,209 | **3,170** | 151 |

As at 31 December 2016, the Group had cash and bank balances of RMB4,742,000 (2015 – RMB1,349,000) 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 | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Renminbi | **4,742** | 1,349 | **–** | – |
| Singapore dollar | **4,770** | 835 | **3,156** | 151 |
| Hong Kong dollar | **18** | 24 | **–** | – |
| New Taiwan dollar | **15** | 1 | **14** | – |
| | **9,545** | 2,209 | **3,170** | 151 |

## 12 Share capital

| The Company | 2016 Number of ordinary shares | 2015 Number of ordinary shares | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|---|
| **Issued and fully paid, with no par value** | | | | |
| At 1 January | **4,566,852,832** | 3,637,941,547 | **2,413,255** | 2,373,685 |
| Issuance of settlement shares and accrued interest shares | **–** | 928,911,285 | **–** | 39,570 |
| At 31 December | **4,566,852,832** | 4,566,852,832 | **2,413,255** | 2,413,255 |

| The Company | 2016 S$'000 | 2015 S$'000 |
|---|---|---|
| Issued and fully paid share capital denominated in original currency: | | |
| At 1 January | **475,840** | 466,936 |
| Issuance of shares | **–** | 8,904 |
| At 31 December | **475,840** | 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.

On 29 September 2015, the Company issued 218,276,492 shares at S$0.00864 per share to the financing shareholders, of which 140,355,396 shares were for partial settlement of the outstanding loans; and 710,634,793 shares, comprising 201,322,979 shares at S$0.013 per share and 509,311,814 shares at S$0.00864 per share, as partial settlement of the accrued interest on the convertible bonds.

## 13 Reserves

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2016 RMB'000** | 2015 RMB'000 | **2016 RMB'000** | 2015 RMB'000 |
| Capital reserve | **(1,137,504)** | (1,137,504) | **11,229** | 11,229 |
| Warrant reserve | **101,651** | 101,651 | **101,651** | 101,651 |
| Currency translation reserve | **(994)** | 29,805 | **1,852** | 26,132 |
| Statutory reserve | **39,262** | 39,262 | **–** | – |
| Accumulated losses | **(1,906,468)** | (1,844,232) | **(2,947,090)** | (2,910,597) |
| Total | **(2,904,053)** | (2,811,018) | **(2,832,358)** | (2,771,585) |

## 13 Reserves (Cont'd)

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.

Warrant reserve

Warrant reserve relates to the fair value of warrants issued by the Company in 2009.

During the financial year ended 31 December 2015, the Company

- issued 707,692,308 warrants to the third party lender with each warrant exercisable into one share at the exercise price of S$0.013 per warrant (Note 15);

- issued 47,237,779 warrants to the financing shareholders with each warrant exercisable into one share at the exercise price of S$0.013 per warrant (Note 15); and

- cancelled existing 1,018,565,587 warrants under Convertible Loan 2012 and issued 2,971,069,187 warrants under the refinanced Convertible Loan 2015 to the existing warrant holders, with each warrant exercisable into one share at the exercise price of S$0.02167 per warrant.

As at 31 December 2016 and 2015, the number of unexercised warrants is 3,725,999,274 comprising 754,930,087 warrants with an exercise price of S$0.013 per warrant and 2,971,069,187 warrants with an exercise price of S$0.02167 per warrant.

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 Deferred tax liabilities

| The Group and The Company | **2016** **RMB'000** | 2015 RMB'000 |
|---|---|---|
| At the beginning of year | **–** | 1,944 |
| Recognised in profit or loss (Note 24) | **–** | (1,890) |
| Exchange differences | **–** | (54) |
| At the end of year | **–** | – |

The balance comprises tax on the following temporary differences:

| The Group and the Company | **Convertible loans RMB'000** | **Total RMB'000** |
|---|---|---|
| At 1 January 2015 | 1,944 | 1,944 |
| Recognised in profit or loss | (1,890) | (1,890) |
| Exchange differences | (54) | (54) |
| **At 31 December 2015 and 2016** | **–** | **–** |

Unrecorded deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

| The Group | **2016** **RMB'000** | 2015 RMB'000 |
|---|---|---|
| Tax effect attributable to: | | |
| Unutilised tax losses | **139,623** | 182,100 |

The Group has unutilised tax losses as follows:

| The Group | **2016** **RMB'000** | 2015 RMB'000 |
|---|---|---|
| Unutilised tax losses | **548,326** | 1,159,390 |
| | **548,326** | 1,159,390 |

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

## 14 Deferred tax liabilities (Cont'd)

The unrecognised tax losses will expire as follows:

| The Group | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Year 2016 | – | 651,264 |
| Year 2017 | **226,404** | 226,404 |
| Year 2018 | **178,849** | 178,849 |
| Year 2019 | **88,633** | 88,633 |
| Year 2020 | **14,240** | 14,240 |
| Year 2021 | **40,200** | – |
| | **548,326** | 1,159,390 |

## 15 Loans and borrowings

| The Group and the Company | 2016 RMB'000 | 2015 RMB'000 Restated |
|---|---|---|
| **Non-Current** | | |
| Shareholders (unsecured)[(a)] | **1,894** | 1,811 |
| Third parties | | |
| – secured[(b)] | **959** | – |
| – unsecured[(c)] | **4,796** | – |
| | **5,755** | – |
| | **7,649** | 1,811 |
| **Current** | | |
| Third parties | | |
| – secured[(b)] | **1,878** | – |
| – unsecured[(c)] | **6,438** | 4,093 |
| | **8,316** | 4,093 |
| **Total** | **15,965** | 5,904 |

(a) The loans from shareholders bear interest at 5% (2015:8%) per annum, and are unsecured and repayable by 2 September 2020.

(b) The loans from third parties are interest-free and secured by all fixed feets of a farm.

(c) The loan from third parties are interest free.

During the year ended 31 December 2015, warrants were issued to the financing shareholders and a third party lender (Note 13). No assessments were carried out to determine the allocation of the carrying amounts of loans from shareholders and a third party to the debt and equity components based on their relative fair values at inception.

Please refer to Note 31 for further details on interest rate risk and liquidity risk.

## 16 Trade payables

| The Group | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Third parties | **10,676** | 10,662 |

The average credit period on purchase of goods ranges from 0 to 30 days (2015 – 0 to 30 days). The trade payables are non-interest bearing and denominated in RMB.

## 17 Other payables

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2016 RMB'000** | 2015 RMB'000 | **2016 RMB'000** | 2015 RMB'000 |
| Amounts due to subsidiaries | **–** | – | **1,900** | 963 |
| Amount due to executive director | **1,000** | – | **1,000** | – |
| Interest payable | **50,147** | 30,993 | **50,147** | 30,993 |
| Accrued expenses | **47,298** | 42,551 | **15,453** | 12,765 |
| Accrued staff costs | **5,875** | 5,255 | **3,468** | 2,772 |
| Fixed assets vendor | **4,891** | 4,891 | **–** | – |
| Advances from customers | **3,076** | 2,472 | **–** | – |
| Rental deposits | **3,444** | – | **–** | – |
| Other tax payables | **5,850** | 5,619 | **5,300** | 5,068 |
| | **121,581** | 91,781 | **77,268** | 52,561 |

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

Other payables are denominated in the following currencies,

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2016 RMB'000** | 2015 RMB'000 | **2016 RMB'000** | 2015 RMB'000 |
| Renminbi* | **27,527** | 23,327 | **–** | – |
| Singapore dollar* | **85,095** | 60,333 | **71,968** | 47,493 |
| Hong Kong dollar | **13** | 13 | **–** | – |
| New Taiwan dollar | **20** | 17 | **–** | – |
| | **112,655** | 83,690 | **71,968** | 47,493 |

* excludes advance from customers and other tax payables

## 18 Convertible loans

| The Group and The Company | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| **Current** | | |
| Convertible loans | **308,774** | 295,312 |
| **Non-Current** | | |
| Convertible loans | **44,122** | 42,199 |
| | **352,896** | 337,511 |

| | | |
|---|---|---|
| At beginning of year | **337,511** | 283,456 |
| Accretion of interest expenses | **–** | 34,058 |
| Interest payable | **–** | (18,503) |
| Redemption of loans | **–** | – |
| Transfer of loans due to restructuring | **–** | 42,199 |
| Exchange differences | **15,385** | (3,699) |
| At end of year | **352,896** | 337,511 |

On 13 July 2012, the Company entered into agreements with the lenders (the "Lenders") to refinance Convertible Loan 2009 with an outstanding principal amount of S$70.2 million upon maturity. Convertible Loan 2012 is due on 13 July 2015 and carries an interest rate at 5% per annum.

In September 2015, the Company entered into agreements with the lenders (the "Lenders") to refinance Convertible Loan 2012 with Convertible Loan 2015. The main terms of the agreement are as follows:

(a) the terms of the loans for 2 lenders have been extended from 13 July 2015 to 31 December 2016;

(b) the term of the loan of one lender is 60 months from September 2015; and

(c) cancellation of the existing 1,018,565,587 warrants under the Convertible Loan 2012 and issue of 2,971,069,187 warrants at the exercise price of S$0.02167 per warrant to the Lenders (Note 13). These warrants are exercisable from 13 July 2015 to 31 December 2016.

The effect of the loan refinancing was a de-recognition of Convertible Loan 2012 and recognition of Convertible Loan 2015. No assessments were carried out to estimate the fair value of Convertible Loan 2015 to determine gain or loss on de-recognition of Convertible Loan 2012 and the allocation of the carrying amount of Convertible Loan 2015 to the liability and equity components upon initial recognition.

## 18 Convertible loans (Cont'd)

The Lenders shall have the right to request the Group to redeem any unexercised warrants held by them after the warrant maturity at a redemption premium of 15% of the amount of their respective loan in proportion to the unexercised warrants. The warrant redemption premium will be waived if the Group achieves certain prescribed profit and operating cash flows targets in at least one financial year during the warrant exercise period.

## 19 Derivative liability

| The Group and The Company | **2016 RMB'000** | 2015 RMB'000 |
|---|---|---|
| **Current** | | |
| Derivative liabilities | **147,549** | 141,117 |

Derivative liability relates to the warrant redemption premium (Note 18). No assessment of the fair value of the warrant redemption premium was performed for the year ended 31 December 2016 and 2015. The movement in derivative liability between 31 December 2016 and 2015 amounting to RMB6,432,000 was due to currency translation difference.

Please refer to Note 31 for further details on interest rate risk and liquidity risk.

## 20 Other operating income

| | **Continuing operations** | | **Discontinued operations** | | **Total** | |
|---|---|---|---|---|---|---|
| **The Group** | **2016 RMB'000** | 2015 RMB'000 | **2016 RMB'000** | 2015 RMB'000 | **2016 RMB'000** | 2015 RMB'000 |
| Rental income | **448** | 24 | **-** | - | **448** | 24 |
| Interest income | **1** | 1 | **-** | - | **1** | 1 |
| Government grants | **512** | 154 | **-** | - | **512** | 154 |
| Scrap sales | **-** | 1,025 | **-** | - | **-** | 1,025 |
| Gain on disposal of property, plant and equipment | **-** | 284 | **-** | - | **-** | 284 |
| Foreign currency exchange gain | **6,604** | 18,078 | **-** | 103 | **6,604** | 18,181 |
| Sundry income | **916** | 1,264 | **89** | 3,349 | **1,005** | 4,613 |
| | **8,481** | 20,830 | **89** | 3,452 | **8,570** | 24,282 |

## 21 Other operating expenses

| The Group | Continuing operations 2016 RMB'000 | Continuing operations 2015 RMB'000 | Discontinued operations 2016 RMB'000 | Discontinued operations 2015 RMB'000 | Total 2016 RMB'000 | Total 2015 RMB'000 |
|---|---|---|---|---|---|---|
| Professional fees | **3,705** | 3,720 | **–** | – | **3,705** | 3,720 |
| Operating lease expenses | **641** | 2,294 | **–** | – | **641** | 2,294 |
| Insurance expenses | **71** | 10 | **–** | – | **71** | 10 |
| Repair and maintenance | **276** | 162 | **–** | – | **276** | 162 |
| Travelling expenses | **1,116** | 627 | **–** | – | **1,116** | 627 |
| Loss on disposal of property, plant and equipment | **4** | – | **–** | – | **4** | – |
| Impairment loss on other receivables (Note 9) | **44** | 4,396 | **–** | – | **44** | 4,396 |
| Annual Report fees | **255** | 113 | **–** | – | **255** | 113 |
| Consumables | **417** | 205 | **–** | – | **417** | 205 |
| Annual listing and related fees | **763** | 620 | **–** | – | **763** | 620 |
| Security fees | **1,001** | – | **–** | – | **1,001** | – |
| Branding project fees | **600** | 141 | **–** | – | **600** | 141 |
| Others | **469** | 1,766 | **408** | 12 | **877** | 1,778 |
| | **9,362** | 14,054 | **408** | 12 | **9,770** | 14,066 |

## 22 Finance costs

| The Group | Continuing operations 2016 RMB'000 | Continuing operations 2015 RMB'000 | Discontinued operations 2016 RMB'000 | Discontinued operations 2015 RMB'000 | Total 2016 RMB'000 | Total 2015 RMB'000 |
|---|---|---|---|---|---|---|
| Interest on convertible loan | **17,696** | 35,885 | **–** | – | **17,696** | 35,885 |
| Reversal of withholding tax on interest on convertible loan | **–** | (1,664) | **–** | – | **–** | (1,664) |
| Loans from shareholders | **95** | 683 | **–** | – | **95** | 683 |
| Others | **–** | 45 | **–** | – | **–** | 45 |
| | **17,791** | 34,949 | **–** | – | **17,791** | 34,949 |

## 23 Loss before taxation

The following items have been included in arriving at loss before taxation:

| The Group | Continuing operations 2016 RMB'000 | Continuing operations 2015 RMB'000 | Discontinued operations 2016 RMB'000 | Discontinued operations 2015 RMB'000 | Total 2016 RMB'000 | Total 2015 RMB'000 |
|---|---|---|---|---|---|---|
| Audit fee | | | | | | |
| – auditors of the Company | **772** | 738 | **–** | – | **772** | 738 |
| Employee benefit expenses: | | | | | | |
| – Directors' fees | **572** | 502 | **–** | – | **572** | 502 |
| – Directors' salary of the company | **–** | 158 | **–** | – | **–** | 158 |
| – Directors' salary of the subsidiaries | **–** | – | **–** | – | **–** | – |
| – Salary of employees other than directors | **5,779** | 9,576 | **–** | 18 | **5,779** | 9,594 |
| – Defined contribution plans included in staff costs | **809** | 1,002 | **–** | – | **809** | 1,002 |
| – Other staff welfare | **442** | 538 | **–** | – | **442** | 538 |
| | **7,602** | 11,776 | **–** | 18 | **7,602** | 11,794 |

## 24 Income tax credit

| The Group | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| ***Current tax expense*** | **–** | – |
| ***Deferred tax expense*** | | |
| Origination and reversal of temporary differences (Note 14) | **–** | (1,890) |
| Tax credit on continuing operations | **–** | (1,890) |

## 24 Income tax credit (Cont'd)

***Reconciliation of effective tax rate***

| The Group | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Loss before taxation: | | |
| – Continuing operations | **(61,917)** | (102,552) |
| – Discontinued operations | **(319)** | 3,422 |
| | **(62,236)** | (99,130) |
| Tax at statutory rate of 25% (2015 – 25%) | **(15,559)** | (24,782) |
| Tax effect on non-deductible expenses | **4,377** | 4,798 |
| Effect of different tax rates of group entities operating in other jurisdictions | **1,132** | 14,534 |
| Tax effect of unused tax loss not recognised as deferred tax assets | **10,050** | 3,560 |
| | **–** | (1,890) |

Allocated to:

| The Group | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Continuing operations | **–** | (1,890) |
| Discontinued operations | **–** | – |
| | **–** | (1,890) |

## 25 Other comprehensive loss for the year, net of tax

| The Group | 2016 Before tax RMB'000 | 2016 Tax expense RMB'000 | 2016 Net of tax RMB'000 | 2015 Before tax RMB'000 | 2015 Tax expense RMB'000 | 2015 Net of tax RMB'000 |
|---|---|---|---|---|---|---|
| Disclosure of tax effect relating to each component of other comprehensive income: | | | | | | |
| Currency translation differences | **(30,799)** | **–** | **(30,799)** | (19,386) | – | (19,386) |

## 26 Loss per share

### From continuing and discontinued operations

| The Group | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Loss after taxation attributable to owners of the Company | **(62,236)** | (97,240) |

| | 2016 | 2015 |
|---|---|---|
| Weighted average number of shares for the purpose of basic earnings/loss per share | **4,566,852,832** | 3,877,168,015 |
| | **4,566,852,832** | 3,877,168,015 |
| Loss per share (fen): | | |
| – basic | **(1.36)** | (2.51) |
| – diluted | **(1.36)** | (2.51) |

### From continuing operations

| The Group | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Basic loss per share is based on: | | |
| Loss after taxation attributable to owners of the Company | **(61,917)** | (100,662) |
| Loss per share (fen): | | |
| – basic | **(1.36)** | (2.60) |
| – diluted | **(1.36)** | (2.60) |

### From discontinued operations

Basic and diluted loss per share for the discontinued operations is 0.01 fen per share (2015: basic and diluted earnings per share of 0.09 fen per share) based on the loss for the year from discontinued operations of RMB319,000 (2015 – profit of RMB3,422,000).

Diluted loss per share is similar to basic loss per share as there were no potential dilutive ordinary shares existed during the year.

## 27 Key management personnel compensations

| The Group | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Short-term benefits | **2,646** | 5,503 |
| Post-employment benefits | **115** | 167 |
| | **2,761** | 5,670 |

## 28 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 | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Not later than one year | **267** | 540 |
| Later than one year and not later than five years | **240** | 889 |
| Later than five years | **–** | 185 |

Operating lease payments represent rentals payable by the Group for certain property, plant and equipment, office premises and land use rights.

The Group as the lessor

| The Group | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Not later than one year | **546** | – |
| Later than one year and not later than five years | **623** | – |
| Later than five years | **–** | – |

## 29 Discontinued operations

During the financial year ended 31 December 2011, the Group ceased the operations of the food and beverage segment which operated restaurant outlets. 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 | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Other operating income (Note 20) | 89 | 3,452 |
| Staff costs (Note 23) | – | (18) |
| Other operating expenses (Note 21) | (408) | (12) |
| Profit before income tax | (319) | 3,422 |
| Income tax | – | – |
| Profit for the year | (319) | 3,422 |

Cash flows from/(used in) discontinued operations

| The Group | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Net cash generated from/(used in) operating activities | 3,470 | (706) |
| Net cash flows for the year | 3,470 | (706) |

## 30 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 |
| Others | Corporate office functions |

For the purpose of monitoring segment performance and allocating resources, the chief operating decision maker monitors the tangible and financial assets attributable to each segment. All assets are allocated to reportable segments. Assets, if any, used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segments.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment revenue represents revenue generated from external and internal customers. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, investment revenue and finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

## 30 Business and geographical segments (Cont'd)

Segment information about the Group's continuing operation is presented below. Segment information about the Group's discontinued operations is presented in Note 29 to the financial statements.

| | Live marine products 2016 RMB'000 | Live marine products 2015 RMB'000 | Trading 2016 RMB'000 | Trading 2015 RMB'000 | Investment holding 2016 RMB'000 | Investment holding 2015 RMB'000 | Total continuing operations 2016 RMB'000 | Total continuing operations 2015 RMB'000 | Discontinued 2016 RMB'000 | Discontinued 2015 RMB'000 | Total 2016 RMB'000 | Total 2015 RMB'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue by segments** | | | | | | | | | | | | |
| External revenue | **5,932** | 3,759 | **4,443** | 1,085 | **-** | - | **10,375** | 4,844 | **-** | - | **10,375** | 4,844 |
| | **5,932** | 3,759 | **4,443** | 1,085 | **-** | - | **10,375** | 4,844 | **-** | - | **10,375** | 4,844 |
| Gain arising from changes in fair value less costs to sell biological assets | **9,554** | 5,155 | **-** | - | **-** | - | **9,554** | 5,155 | **-** | - | **9,554** | 5,155 |
| **Result** | | | | | | | | | | | | |
| Segment result | **(40,315)** | (70,122) | **(5,375)** | (7,637) | **(5,040)** | (7,922) | **(50,730)** | (85,681) | **(319)** | 3,319 | **(51,049)** | (82,362) |
| Gain/(loss) on foreign exchange differences | **116** | 312 | **-** | - | **6,488** | 17,766 | **6,604** | 18,078 | **-** | 103 | **6,604** | 18,181 |
| Finance costs | | | | | | | **(17,791)** | (34,949) | **-** | - | **(17,791)** | (34,949) |
| Loss before taxation | | | | | | | **(61,917)** | (102,552) | **(319)** | 3,422 | **(62,236)** | (99,130) |
| Income tax credit | | | | | | | **-** | 1,890 | **-** | - | **-** | 1,890 |
| Loss for the year | | | | | | | **(61,917)** | (100,662) | **(319)** | 3,422 | **(62,236)** | (97,240) |
| **Other information** | | | | | | | | | | | | |
| Acquisition of property, plant and equipment | **4** | 113 | **886** | - | **-** | - | **890** | 113 | **-** | - | **890** | 113 |
| Depreciation of property, plant and equipment | **34,400** | 18,530 | **349** | - | **-** | - | **34,749** | 18,530 | **-** | - | **34,749** | 18,530 |
| Loss/(gain) on disposal of property, plant and equipment | **4** | (284) | **-** | - | **-** | - | **4** | (284) | **-** | - | **4** | (284) |
| Impairment loss on property, plant and equipment | **9,142** | 44,335 | **-** | - | **-** | - | **9,142** | 44,335 | **-** | - | **9,142** | 44,335 |
| Amortisation of prepaid leases | **230** | 415 | **-** | - | **-** | - | **230** | 415 | **-** | - | **230** | 415 |
| Impairment loss on prepaid leases | **83** | 1,492 | **-** | - | **-** | - | **83** | 1,492 | **-** | - | **83** | 1,492 |
| Impairment loss on other receivables | **44** | 4,396 | **-** | - | **-** | - | **44** | 4,396 | **-** | - | **44** | 4,396 |
| Gain on foreign exchange differences | **(116)** | (312) | **-** | - | **(6,488)** | (17,766) | **(6,604)** | (18,078) | **-** | (103) | **(6,604)** | (18,181) |
| Rental income | **448** | 24 | **-** | - | **-** | - | **448** | 24 | **-** | - | **448** | 24 |
| Interest income | **1** | 1 | **-** | - | **-** | - | **1** | 1 | **-** | - | **1** | 1 |
| Sundry income | **630** | 1,264 | **60** | - | **226** | - | **916** | 1,264 | **89** | 3,349 | **1,005** | 4,613 |

## 30 Business and geographical segments (Cont'd)

Segment assets and liabilities

| | Live marine products | | Trading of canned abalone | | Investment holding | | Inter-segment eliminations | | Total continuing operations | | Discontinued | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Segment assets | **167,090** | 206,805 | **2,861** | 1,221 | **348,054** | 354,912 | **(340,854)** | (350,973) | **177,151** | 211,965 | **4,666** | 1,195 | **181,817** | 213,160 |
| Segment liabilities | **653,333** | 633,825 | **129,782** | 116,293 | **1,063,615** | 999,777 | **(1,784,245)** | (1,712,846) | **62,485** | 37,049 | **93,720** | 89,342 | **156,205** | 126,391 |
| Unallocated liabilities | | | | | | | | | | | | | **516,410** | 484,532 |
| Consolidated total liabilities | | | | | | | | | | | | | **672,615** | 610,923 |

## 30 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 the associated derivative liabilities and deferred tax liabilities, and borrowings.

Geographical segments

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

| | **2016** | | | 2015 | | |
|---|---|---|---|---|---|---|
| **The Group** | **Singapore RMB'000** | **PRC RMB'000** | **Total RMB'000** | Singapore RMB'000 | PRC RMB'000 | Total RMB'000 |
| External revenue | **4,443** | **5,932** | **10,375** | 1,085 | 3,759 | 4,844 |
| Non-current assets | **537** | **160,115** | **160,652** | – | 203,664 | 203,664 |

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** | **2016 RMB'000** | 2015 RMB'000 |
|---|---|---|
| Customer A | **4,377** | 919 |
| Customer B | **1,158** | 585 |
| Customer C | **1,070** | 560 |
| Customer D | **706** | 484 |
| Customer E | **539** | 414 |
| | **7,850** | 2,962 |

## 31 Financial risk management objectives

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks included credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

## 31 Financial risk management objectives (Cont'd)

There has been no change to the Group'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 does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

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

| The Group | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| **Loans and receivables** | | |
| Trade and other receivables* | **4,824** | 4,222 |
| Cash and bank balances | **9,545** | 2,209 |
| | **14,369** | 6,431 |

| | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| **Financial liabilities at amortised cost** | | |
| Trade and other payables** | **123,331** | 94,352 |
| Loans and borrowings | **15,965** | 5,904 |
| Convertible loans | **352,896** | 337,511 |
| | **492,192** | 437,767 |

| | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| **Fair value through profit or loss** | | |
| Derivative liability | **147,549** | 141,117 |

| The Company | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| **Loans and receivables** | | |
| Other receivables* | **13,846** | 3,129 |
| Cash and bank balances | **3,170** | 151 |
| | **17,016** | 3,280 |
| **Financial liabilities at amortised cost** | | |
| Other payables** | **71,968** | 47,493 |
| Loans and borrowings | **15,965** | 5,904 |
| Convertible loans | **352,896** | 337,511 |
| | **440,829** | 390,908 |
| **Fair value through profit or loss** | | |
| Derivative liability | **147,549** | 141,117 |

* excludes prepayment and prepaid leases

** excludes advance from customers and other tax payables

## 31 Financial risk management objectives (Cont'd)

### 31.1 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.

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 Company and the Group do 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.

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

### 31.2 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.

## 31 Financial risk management objectives (Cont'd)

### 31.2 Liquidity risk (Cont'd)

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 |
|---|---|---|---|---|---|
| **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** | **–** |
| 2015 | | | | | |
| ***Non-derivative financial liabilities*** | | | | | |
| Trade and other payables | 94,352 | 94,352 | 94,352 | – | – |
| Convertible loans | 337,511 | 373,602 | 322,108 | 51,494 | – |
| Borrowings | 5,904 | 6,574 | 4,238 | 2,336 | – |
| ***Derivative financial liabilities*** | | | | | |
| Derivative liability | 141,117 | 141,117 | 141,117 | – | – |
| | 578,884 | 615,645 | 561,815 | 53,830 | – |

## 31 Financial risk management objectives (Cont'd)

### 31.2 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 |
|---|---|---|---|---|---|
| **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** | **–** |
| 2015 | | | | | |
| ***Non-derivative financial liabilities*** | | | | | |
| Trade and other payables | 47,493 | 47,493 | 47,493 | – | – |
| Convertible loans | 337,511 | 373,602 | 322,108 | 51,494 | – |
| Borrowings | 5,904 | 6,574 | 4,238 | 2,336 | – |
| ***Derivative financial liabilities*** | | | | | |
| Derivative liability | 141,117 | 141,117 | 141,117 | – | – |
| | 532,025 | 568,786 | 514,956 | 53,830 | – |

### 31.3 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 and the Company are not exposed to interest rate risk as they do not hold variable rate instruments.

### 31.4 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 and the Company do not have any significant foreign currency risk as they carry on their operations in their respective functional currencies.

## 31 Financial risk management objectives (Cont'd)

### 31.5 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.

### 31.6 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

## 31 Financial risk management objectives (Cont'd)

### 31.6 Fair values (Cont'd)

#### Fair value measurement of financial instruments (Cont'd)

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** | | | | |
| **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** |
| 2015 | | | | |
| **Non-financial assets:** | | | | |
| Property, plant and equipment | – | – | 197,657 | 197,657 |
| Prepaid leases | – | – | 6,496 | 6,496 |
| Biological assets | – | – | 2,418 | 2,418 |
| **Financial liabilities:** | | | | |
| Derivative financial liability | – | – | 141,117 | 141,117 |
| **The Company** | | | | |
| **2016** | | | | |
| **Financial liabilities:** | | | | |
| Derivative financial liability | **-** | **-** | **147,549** | **147,549** |
| 2015 | | | | |
| **Financial liabilities:** | | | | |
| Derivative financial liability | – | – | 141,117 | 141,117 |

## 31 Financial risk management objectives (Cont'd)

### 31.6 Fair values (Cont'd)

**Fair value measurement of financial instruments (Cont'd)**

Fair value measurement of financial instruments

The fair value of the embedded derivative related to the redemption feature of the convertible loans was determined using the Binomial option pricing model.

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 loans and borrowings) approximate their fair values because of the short period to maturity.

No fair value information is disclosed for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

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 |
|---|---|---|---|
| Land use rights – 2015 and 2016 | Market approach | Adjustment factor | The estimated fair value would increase (decrease) if adjustment factor was favourable/(not favourable). |
| Property, plant and equipment – 2015 and 2016 | Cost approach | Price trend indexes Obsolescence factor | The estimated fair value would increase (decrease) if:<br>- Price trend indexes were higher (lower)<br>- Obsolescence factor was lower (higher) |
| Biological assets – 2015 | Management's internal estimations using recent market prices of similar assets | Estimated market prices | The estimated fair value would increase (decrease) if estimated market prices was higher (lower). |
| Biological assets – 2016 | Market approach | Estimated market price | The estimated fair value would increase (decrease) if estimated market price was higher (lower). |
| | Cost approach | | The estimated fair value would increase (decrease) if estimated spawning costs was higher (lower). |
| Derivative liability – 2015 and 2016 | Binomial option pricing model | Discount rate Volatility | The estimated fair value would increase/(decrease) if:<br>- Discount rate was (lower) higher<br>- Volatility was higher (lower) |

## 31 Financial risk management objectives (Cont'd)

### 31.6 Fair values (Cont'd)

**Fair value of financial liabilities measured at amortised cost**

Management had assumed the carrying values of loans from shareholders and loans from third parties approximated their fair values at 31 December 2015 and 2016.

**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).

## 32 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.

## 32 Capital management (Cont'd)

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

The subsidiaries in the PRC have complied with the statutory surplus reserve fund requirements. Other than the above, the Company and the rest of the subsidiaries are not subject to externally imposed capital requirements.

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Total borrowings | **368,861** | 343,415 | **368,861** | 343,415 |
| Less: cash and bank balances | **(9,545)** | (2,209) | **(3,170)** | (151) |
| Net debt | **359,316** | 341,206 | **365,691** | 343,264 |
| Total equity/(deficit in total equity) | **(490,798)** | (397,763) | **(419,103)** | (358,330) |
| Net debt to total equity ratio (times) | **#** | # | **#** | # |

\# Not presented due to deficit in total equity.

## 33 Subsequent events

Proposed debt restructuring

On 25 January 2017, the Company announced that it had entered into a binding term sheet with key creditors, comprising the holders of convertible bonds and a third party lender to waive S$31.87 million of the debts owed by the Company and convert S$29.57 million of the debts owed by the Company into new ordinary shares in the Company. This proposed debt restructuring is subject to, inter alia, (a) the approval of a scheme of arrangement ("Scheme") by the requisite majority of the Company's creditors being obtained at a duly convened Court meeting; (b) the approval of the Scheme by the Court being obtained; (c) the approval-in-principle of the Singapore Exchange Securities Trading Limited ("SGX-ST") being obtained for the listing and quotation of the new shares; (d) a waiver in writing being obtained from the Securities Industry Council waiving the requirement of any creditor of the Company to make a mandatory takeover offer under Rule 14 of the Singapore Code on Take-overs and Mergers ("Whitewash Waiver"); (e) the approval of the requisite majority of the shareholders of the Company being obtained at a general meeting for, among other things, the Whitewash Waiver and the allotment and issuance of the New Shares; and (f) all other approvals and consents necessary or desirable for the proposed restructuring being obtained by the Company and/or each of its creditors.

## 33 Subsequent events (Cont'd)

Proposed debt restructuring (Cont'd)

On 26 July 2017, the Company announced that it had entered into conditional definitive agreements with the holders of the convertible bonds, certain key creditors (the "Creditors"), new investors (the "New Investors") and directors of the Company involving (collectively the "Parties"), inter alia:

- an assignment by the holders of the convertible bonds of an aggregate amount of S$31,960,038 owed by the Company to date amount of SGD31,960,038 to the New Investors (the "Rebalancing Exercise");

- a conversion of part of the debt due to Parties in an aggregate amount of S$64,665,278 into 16,370,956,473 new ordinary shares in the capital of the Company; and

- a subscription of 1,518,987,342 new ordinary shares in the capital of the Company by the New Investors for consideration of S$6,000,000.

Following the Rebalancing Exercise, the remaining balance of the convertible bonds will be repaid in full by the Company using the proceeds from the disposal of the abalone farms as described in the caption "Compulsory acquisition of abalone farms" below and issue of new ordinary shares in the capital of the Company.

Compulsory acquisition of abalone farms

On 2 March 2017, a wholly owned subsidiary of the Group has been informed intention of Gulei Zhen People's Government (the "PRC Authority") to compulsorily acquire 13 of its abalone farms for the purpose of urban planning by the PRC Authority. The subsidiary has received from the PRC Authority duly executed compensation agreements, the terms of which include but are not limited to the amount of compensation for the compulsory acquisition as well as the further steps involved for the completion of the compulsory acquisition. The gross aggregate compensation amount stated in the compensation agreements is RMB182,512,767 (approximately S$38,000,000) but the amount is subject to revisions and adjustments by the PRC Authority. Receipt of the proceeds is expected during the financial year 2017.

The Company will continue to work with its consultants and advisors to minimise the various charges and fees and maximise the net compensation amount. The Company intends to utilise S$12,828,452 of the compensation amount towards repayment of the convertible loans, as described under the caption "Proposed debt restructuring" above. The balance of the proceeds will be used for general working capital purposes and to fund the Company's growth strategies.

## 33 Subsequent events (Cont'd)

Issuance of new shares pursuant to exercise of warrants

Pursuant to the exercise of 47,237,779 warrants by the financing shareholders, the Company has allotted and issued an aggregate of 47,237,779 ordinary shares in the capital of the Company on 4 April 2017 at the exercise price of S$0.013 each. The sum of approximately S$614,000, being the exercise amount, is paid through the cancellation of an equivalent amount of debt due from the Company to the financing shareholders.

Following the above issuance of new shares, the total number of shares in the Company has increased from 4,566,852,832 shares to 4,614,090,611 shares and the total outstanding warrants to subscribe for new shares in the capital of the Company are 3,678,761,495.

Incorporation of new subsidiaries

The Group has incorporated a new wholly-owned subsidiary, Oceanus Tech Pte Ltd ("Oceanus Tech"), in Singapore on 10 April 2017 with the initial issued share capital of S$1,000 comprising 1,000 ordinary shares.

The Group's incorporation of Oceanus Tech is in line with the Group's business plans.

Placement on the Watch-List

On 2 June 2017, the Company announced that the Singapore Exchange Securities Trading Limited (the "SGX-ST") has notified the Company that pursuant to Rule 1311(1), it will continue to be placed on the Watch-List with effect from 5 June 2017 due to the financial entry criteria. The Company must take active steps to meet the requirements of Listing Rule 1314(1) of the Listing Manual of the SGX-ST (the "Listing Manual") for its removal from Watch-List within 36 months from 5 June 2017, failing which the SGX-ST may either remove the Company from the official list of the SGX-ST (the "Official List") or suspend trading of the Company with a view to remove the Company from the Official List.

Incorporation of a joint venture company

The Company and BNY Abalone World Factory Outlet Pty Ltd ("BNY") have entered into a collaboration agreement on 27 July 2017 (the "Collaboration"). The Collaboration involves the cooperation of the Company and BNY to, inter alia, (a) engage in the sale, procurement and production of abalone products within and outside of Australia; and (b) engage in research and development activities with respect to improving the production facilities of BNY and developing new technologies for production of abalone, formulating new ingredients and products.

## 33 Subsequent events (Cont'd)

Incorporation of a joint venture company (Cont'd)

To implement the Collaboration, the Company will: (a) incorporate a joint venture company in Singapore ("SG JV Co"), to which the Company will subscribe for such number of ordinary shares representing 60% of the issued and paid-up capital of the SG JV Co ("SG JV Co Shares"), while the founding shareholders of BNY will subscribe for the remaining 40% of the SG JV Co Shares; and (b) acquire such shares representing 60% of the issued and paid-up capital ("Acquisition Shares') of BNY (the "Acquisition").

The Group has established the joint venture company, Oceanus Australia Abalone World (S) Pte Ltd ("OAAW"), in Singapore on 2 August 2017 with the initial issued share capital of S$300,000 comprising 300,000 ordinary shares. Oceanus Food Group Pte Ltd, a wholly-owned subsidiary of the Company subscribed for 180,000 shares representing 60% and the founding shareholders of BNY subscribed for 120,000 shares representing 40%, of the issued and paid-up capital of OAAW.

The principal activities of OAAW are those related to international sales and procurement of farm abalones in China.

## 34 Prior year reclassifications

As at 31 December 2015, convertible loan due to a lender was classified within non-current portion of loans and borrowings instead of non-current portion of convertible loans.

Directors have considered it appropriate to restate the financial statements of the prior financial year.

The prior year reclassifications had no material impact to the financial position or performance of the Group and the Company as at and for the year ended 31 December 2015.

| The Group and The Company | As reported RMB'000 | Reclassification RMB'000 | As restated RMB'000 |
|---|---|---|---|
| **Statement of financial position as at 31 December 2015** | | | |
| Non-current liabilities | | | |
| – Convertible loans | 295,312 | 42,199 | 337,511 |
| – Loans and borrowings | 48,103 | (42,199) | 5,904 |

## 35 Comparative figures

Certain amounts in the comparative information have been reclassified to conform with current year financial statement presentations due to prior year reclassifications as set out in Note 24.

# STATISTICS OF SHAREHOLDINGS

# Statistics of Shareholdings
**As at 24 November 2017**

| | | |
|---|---|---|
| Issued and fully paid-up capital | : | S$482,972,703.70 |
| Number of shares | : | 4,614,090,611 |
| Class of shares | : | Ordinary shares |
| Voting rights | : | One vote per share |

The Company does not hold any treasury shares

**DISTRIBUTION OF SHAREHOLDINGS**

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 – 99 | 70 | 0.82 | 2,380 | 0.00 |
| 100 – 1,000 | 225 | 2.64 | 167,534 | 0.00 |
| 1,001 – 10,000 | 1,545 | 18.11 | 12,197,848 | 0.27 |
| 10,001 – 1,000,000 | 6,273 | 73.53 | 951,877,787 | 20.63 |
| 1,000,001 AND ABOVE | 418 | 4.90 | 3,649,845,062 | 79.10 |
| **TOTAL** | **8,531** | **100.00** | **4,614,090,611** | **100.00** |

**TWENTY LARGEST SHAREHOLDERS**

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | CITIBANK NOMINEES SINGAPORE PTE LTD | 491,061,303 | 10.64 |
| 2 | UOB KAY HIAN PRIVATE LIMITED | 415,418,132 | 9.00 |
| 3 | KEE POIR MOK | 175,234,975 | 3.80 |
| 4 | BNP PARIBAS NOMINEES SINGAPORE PTE LTD | 164,693,954 | 3.57 |
| 5 | DBS NOMINEES PTE LTD | 160,342,630 | 3.48 |
| 6 | OCBC SECURITIES PRIVATE LIMITED | 142,927,356 | 3.10 |
| 7 | XU SHUN CHENG @PERMAN YADI | 120,000,068 | 2.60 |
| 8 | THOMAS CHAN HO LAM | 98,654,281 | 2.14 |
| 9 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 70,585,978 | 1.53 |
| 10 | OCBC NOMINEES SINGAPORE PRIVATE LIMITED | 64,712,267 | 1.40 |
| 11 | TAN CHAI HONG OR TAN KAY SIM | 62,376,900 | 1.35 |
| 12 | RAFFLES NOMINEES (PTE) LIMITED | 60,314,153 | 1.31 |
| 13 | MAYBANK KIM ENG SECURITIES PTE. LTD. | 45,657,485 | 0.99 |
| 14 | PHILLIP SECURITIES PTE LTD | 34,949,110 | 0.76 |
| 15 | CHIA SOK HUANG | 33,000,000 | 0.72 |
| 16 | TAN WANG CHEOW | 29,919,000 | 0.65 |
| 17 | KGI SECURITIES (SINGAPORE) PTE. LTD. | 25,857,000 | 0.56 |
| 18 | STEPHEN YEO MAH AI | 24,350,200 | 0.53 |
| 19 | NG BIE TJIN @ DJUNIARTI INTAN | 24,100,000 | 0.52 |
| 20 | KITADA TOMOYUKI | 23,888,889 | 0.52 |
| | **TOTAL** | **2,268,043,681** | **49.17** |

# Statistics of Shareholdings

**As at 24 November 2017**

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 24 November 2017)

| Name | Direct Interest No. of Shares | %* | Deemed Interest No. of Shares | %* |
|---|---|---|---|---|
| Ocean Wonder International Limited | 403,440,804 | 8.74 | – | – |
| BW Investment Limited | 281,458,890 | 6.10 | – | – |
| AIF Capital Asia III, L.P. | – | – | 403,440,804[1] | 8.74 |
| AIF Capital Asia III GP Limited | – | – | 403,440,804[1] | 8.74 |
| AIF Capital Partners Holdings, L.P. | – | – | 403,440,804[1] | 8.74 |
| AIF Capital Partners, Ltd. | – | – | 403,440,804[1] | 8.74 |
| Peter F. Amour | – | – | 403,440,804[1] | 8.74 |
| Varina Group Limited | – | – | 403,440,804[1] | 8.74 |
| Po Shing Andy Tse | – | – | 403,440,804[1] | 8.74 |
| Theresa Yuk Mui Chung | – | – | 403,440,804[1] | 8.74 |
| Borrelli Walsh Asia Limited | – | – | 281,458,890[2] | 6.10 |
| Bombay Bicycle Club Limited | – | – | 281,458,890[2] | 6.10 |
| G Jacqueline Fangonil Walsh | – | – | 281,458,890[2] | 6.10 |
| Cosimo Borrelli | – | – | 281,458,890[2] | 6.10 |

**Notes:**

* Computed based on 4,614,090,611 shares, being the total number of issued voting shares of the Company.

1 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"), Po Shing Andy Tse and Theresa Yuk Mui Chung 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.

2 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).

## FREE FLOAT

Based on the information provided to the Company as at 24 November 2017, approximately 81.12% of the issued ordinary shares of the Company was held by the public. Accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

# ANNUAL GENERAL MEETING

# Notice of Annual General Meeting

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

**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 Tuesday, 19 December 2017 at 1.00 p.m., for the following purposes:

**As Ordinary Business**

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2016 together with the Directors' Statement and the Independent Auditor's Report. **(Resolution 1)**

2. To re-elect Mr Wong Ann Chai, being a Director who retires pursuant to Article 107 of the Constitution of the Company. [see Explanatory Note 1] **(Resolution 2)**

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

4. To approve the payment of Directors' fees of S$128,000 for the financial year ending 31 December 2017, to be paid quarterly in arrears. [2016:S$119,000] **(Resolution 4)**

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

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 Resolutions:

7. **AUTHORITY TO ALLOT AND ISUUE 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 Instrument 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 6)**

By Order of the Board

Peter Koh Heng Kang
Executive Director and Chief Executive Officer

Singapore, 4 December 2017

**Explanatory Notes:**

(1) Ordinary Resolution 2 – Mr Wong Ann Chai will, upon re-election, remain as an Independent Director and Chairmen of the Nominating Committee and Remuneration Committee of the Company and he will be considered independent.

(2) Ordinary Resolution 3 – Mr Stephen Lee will, upon re-election, remain as a Non-Executive Director and a member of the Audit Committee, Nominating Committee and the Remuneration Committee of the Company.

(3) Ordinary Resolution 6 – 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, Cap. 50.

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 4 December 2017.

I/We, ______________________ (name) 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 | % |
| | | | | |

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 Tuesday, 19 December 2017 at 1.00 p.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting).

| No. | ORDINARY RESOLUTIONS | For | Against |
|---|---|---|---|
| 1 | Adoption of the Audited Financial Statements for the financial year ended 31 December 2016, together with the Directors' Statement and the Independent Auditor's Report. | | |
| 2 | Re-election of Mr Wong Ann Chai as a Director. | | |
| 3 | Re-election of Mr Stephen Lee as a Director. | | |
| 4 | Approval of payment of Directors' fees of S$128,000 for the financial year ending 31 December 2016, to be paid quarterly in arrears. (2016: S$119,000) | | |
| 5 | Re-appointment of Messrs Foo Kon Tan LLP as Independent Auditor. | | |
| 6 | Authority to allot and issue Shares. | | |

Date this ________ day of ______________ 2017

| 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 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.

**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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