

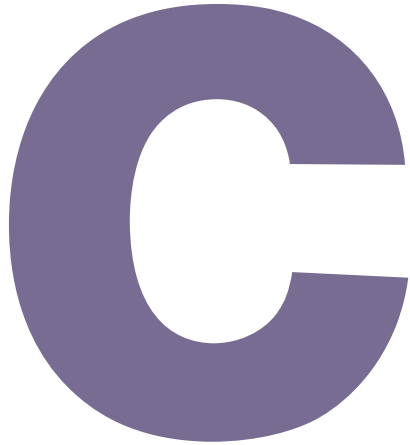


Sustainability Today  
for the  
**Security of Tomorrow**



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# CORPORATE PROFILE

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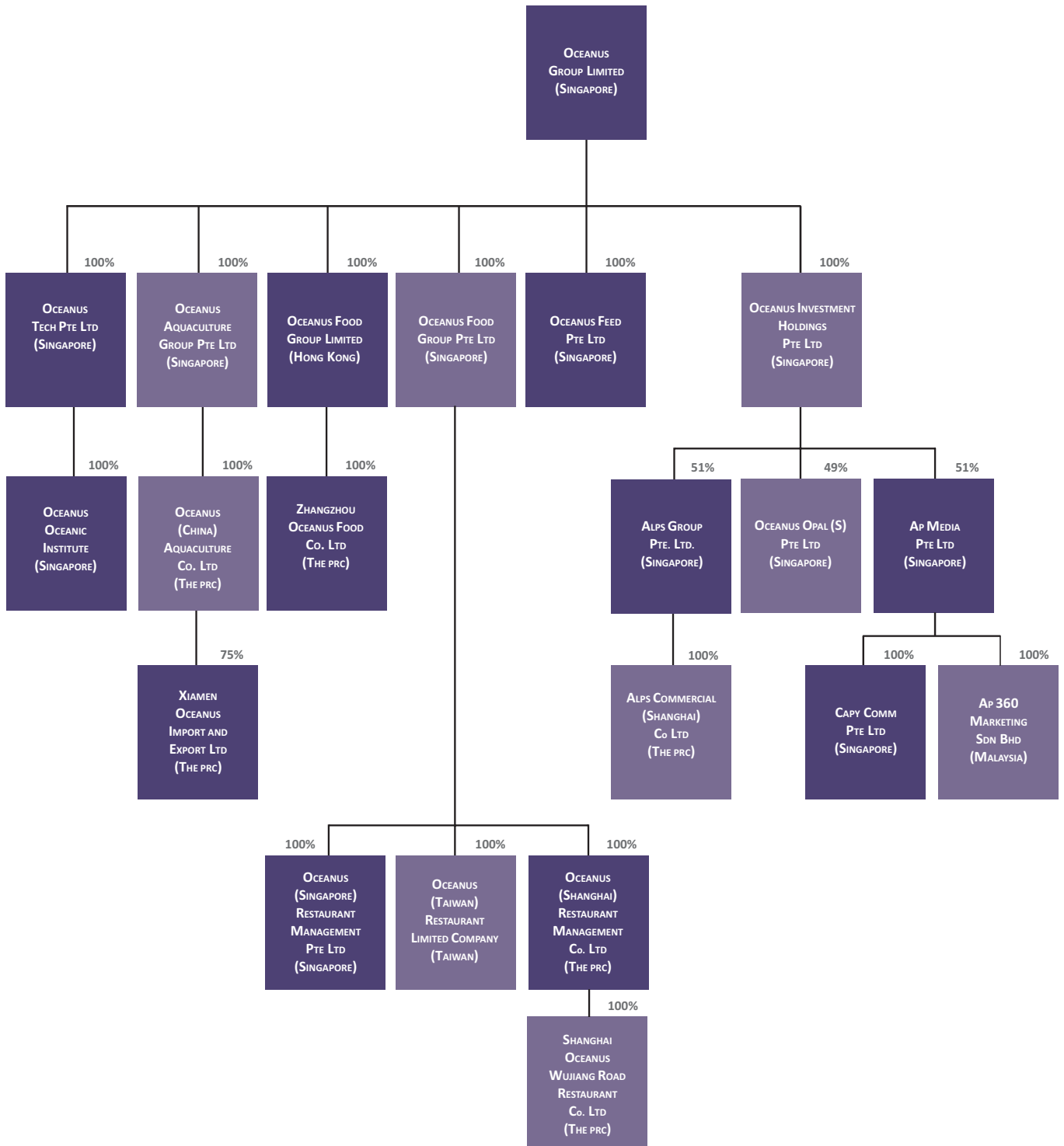
Oceanus Group Limited (“**Oceanus**”, and together with its subsidiaries, the “**Group**”), is listed on the SGX Mainboard since May 2008. It harnesses synergies from its ecosystem comprising diversified businesses across four growth pillars – Aquaculture, Distribution, Services and Innovation.

These synergistic growth pillars allows Oceanus to cross-fertilise business opportunities amongst its entities. They are also highly scalable, offering flexibility for the Group to build upon its existing businesses for prudent expansion.

Supported by land farms in the People’s Republic of China, the **Aquaculture** arm utilises a science-and-evidence-based approach driven by the **Innovation** arm to breed abalone juveniles and premium seafood under carefully controlled conditions for effective and sustainable farming. These products, as well as other third-party products, can then be processed and traded through Oceanus’ various channels and platforms within its **Distribution** business. The Group’s **Services** pillar provides consultancy solutions relating to aquaculture, marketing and branding that not only supports Oceanus’ internal functions, but also pursues third-party businesses to create revenue streams for the Group.

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

# CORPORATE STRUCTURE



A large, stylized purple letter 'C' that frames the text. The letter is thick and has a slight shadow effect, giving it a three-dimensional appearance. It is centered on the page.

# **CEO'S STATEMENT**

## Dear Shareholders,

On behalf of the Management, it is my pleasure to present Oceanus Group Limited's ("Oceanus") performance review for the financial year ended 31 December 2018 ("FY2018"), together with our business plans and strategies for the future, as we forge ahead on a strengthened financial footing.

We are encouraged to have turned the tides in the preceding year ended 31 December 2017 ("FY2017") and remain ever vigilant to create new revenue streams, build on strategic partnerships to enhance our value chain and explore potentially earnings accretive M&As to drive our business growth.

## FINANCIAL REVIEW

Following the successful completion of our debt restructuring in December 2017, the Group spent the year re-building its foundation and diversifying revenue streams, resulting in an operating profit of RMB47.1 million.

With continual improvements in our hatchery operations and procedures underway – from spawning to juvenile management – the Group has sustained a revenue from the sale of juvenile abalones of RMB16.3 million, which continues to be our largest revenue contributor. In addition, the Group reported a gain in the fair value of the Group's biological assets of RMB14.4 million.

Following efforts to upgrade farming facilities and infrastructure, the Group reported a further gain in RMB36.8 million in the fair value of its property, plant and equipment. Additionally, continued focus on cost-efficiency resulted in overall operating expenses to dip..RMB13.0 million. We also recognised maiden revenue contributed by the Group's marketing and media consulting subsidiary, Capy Comm Pte Ltd ("Capy Comm") of RMB2.0 million. These factors underpinned the Group's net profit of RMB48.8 million for FY2018.

## Creating New Revenue Streams

Aside from the transition to a hatchery business model, our FY2018 segment performance also reflects our income diversification efforts. Revenue from non-core segments was lifted by higher sales mainly from the maiden revenue contribution of RMB2.0 million from Capy Comm, which contributed positively to the Group as it secured businesses from third-parties in addition to supporting Oceanus' marketing needs. The Group's consultancy segment also contributed RMB0.6 million for FY2018 for a 1-year project with a prominent SGX Mainboard-listed agriculture group.

Our FMCG distribution segment, which launched the "Oceanus" branded canned abalones in October 2018, generated sales of RMB2.1 million in FY2018, a 15% decrease from RMB2.5 million in FY2017. The Group will continue to see a boost in its FMCG segment with the recent acquisition of Alps Group Pte Ltd subsequent to the year-end in December 2018, which is expected to value add to this segment given its existing distribution network both locally and abroad.

## Strengthened Financial Position

The Oceanus has worked on restoration and repairs of its farming assets in China, resulting in an improvement in the value of 33% on the Group's overall PPE value.

In addition, the Oceanus has reduced its long standing trade payables and invested in good quality businesses in 2018, such as Barramundi Asia Pte Ltd and Alps Group Pte Ltd, which has help to underpin an improvement of overall net asset position of the company by 24% to RMB138 million.

## BUILDING OUR SYNERGISTIC AQUACULTURE ECOSYSTEM

In FY2017, we cleaned up our balance sheet to start our new growth chapter on a clean slate. In FY2018, significant efforts were made to lay the foundations required to grow the business, and being midway into FY2019, we're starting to make headway in building the engines required to 'jumpstart' our next phase of growth.

In line with the Group's intention to expand our business model beyond being a "one product, one country" company, we are prudently building an ecosystem of synergistic businesses across the aquaculture value chain beyond our farming business. Subsequent to the year-end, to better reflect our business direction, we intend to reorganise our businesses into four key growth pillars – Aquaculture, Distribution, Services and Innovation.

## Oceanus' Four Pillars of Growth<sup>1</sup>



Recognising our roots, and aquaculture being a cornerstone of our business, we brought together synergistic businesses that not only creates new and diversified revenue streams, it also allows cross-fertilisation of business opportunities. These businesses are also highly scalable and will be the building blocks to our future growth. While they work seamlessly together, each entity is fully accountable for its financial performance, ensuring that everyone is working towards a common objective to enhance shareholder value.

## Aquaculture

We've started to gain traction for this new strategic direction – for instance, in September 2018, we invested in Barramundi Asia Pte Ltd that is not only Singapore's largest fish farm but also one of the world's largest Barramundi farming companies. This offers the Group diversification of its product lines and revenue streams, as well as access to Barramundi Asia's network that will add value to Oceanus' Aquaculture business.

<sup>1</sup> Please refer to page 7 of this Annual Report for more details.

In the same vein, we've always been on the lookout for opportunities to extend our farming presence back home in Singapore. In February 2019, we've jointly secured a land parcel in Sungei Tengah, Singapore, through our joint-venture company Oceanus Opal (S) Pte Ltd.

### Distribution

A budding revenue stream, the Distribution business taps on various channels and platforms to trade both third-party and the Group's products within the Asia-Pacific region, as part of the Group's strategy to create competitive advantage and extend its reach across the value chain.

Our FMCG business will now be accounted for under this new segment. Our processed products such as premium "Oceanus" branded canned abalones have been well received by consumers despite the strong competition in this area. In October 2018, the Group launched various products such as canned mini abalone and "Babylone", which received overwhelming response and were sold out at various retail outlets.

In the year ahead, we will focus on improving our distribution channels and network as well as product and brand development. Accordingly, we will continue to explore partnerships with retail and e-commerce platforms to expand distribution network.

In line with the growing consumer support for sustainable initiatives, we've acquired a 51% interest in Alps Group Pte Ltd ("**Alps Group**"), which is primarily engaged in the production and distribution of safe and eco-friendly daily consumables to a wide range of businesses including hotels, F&B establishments and others such as Golden Village Gold Class. Products manufactured by its consumer brand, "Cloversoft", uses unbleached bamboo pulp, which is a more sustainable choice and has a lower carbon footprint as compared to the use of trees.

The acquisition of Alps Group is a strategic one – not only will it give us access to its sizeable distribution network, its sustainable products and businesses is in line with our vision to further food security and the conservation of the ocean – which is at the heart of Oceanus' business.

### Services

We've broadened the scope of our Services segment, which will now include consultancy services relating to aquaculture-related technologies, as well as marketing and branding services. Moving forward, we'll continue to grow the segment to provide various consultancy services, perhaps beyond its current scope, to create new revenue streams for the Group.

Aquaculture consultancy services are led by the Group's subsidiary, Oceanus Tech, which provides third-party consultancy services on aquaculture technologies to third-parties.

Subsequent to the year-end, Oceanus strengthened its marketing capabilities with the acquisition of AP Media Pte Ltd "AP Media", Copy Comm was then merged with AP Media to further support the Group's marketing needs and aggressively seek third-party consultancy projects.

Moving forward, we also have the intention to incorporate a new subsidiary to be Oceanus' leasing arm, to monetise unused space in our farm plots in Fujian, China.

### Innovation

As the only land-based abalone farm in the world to employ cutting-edge technologies under carefully controlled conditions, Oceanus' Innovation arm is led by, Oceanus Oceanic Institute that invests in R&D to ensure that abalone and premium seafood are bred under optimum conditions.

We continue our strategic partnerships with six educational institutions namely Temasek Polytechnic, Nanyang Technological University, Republic Polytechnic, James Cook University, Jimei University and National Taiwan Ocean University.

### **SUSTAINABILITY TODAY FOR TOMORROW'S SECURITY**

I am pleased that through sheer determination of a dedicated team at Oceanus, we have steered out of troubled waters and reverted to an asset-positive position, allowing us to fully focus on growing the business. While we focus on growth today, we do so with prudence, casting our eyes on the long-term sustainability of our businesses.

Having met the Singapore Exchange's financial exit criteria, we have filed an application to exit the watch list (financial criteria) on 1 June 2018 and together, we will continue to work closely with the relevant authorities to accelerate the process while making the relevant announcements in due course to keep our shareholders updated.

### **ACKNOWLEDGEMENT**

At this juncture, I will like to extend the Board's appreciation to Independent Non-Executive Directors, Mr Wong Ann Chai and Mr Alvin Yeo, for their guidance and invaluable contributions over the last four and five years with the Group respectively. We would also like to take this opportunity to welcome Mr Edward Loy who has been appointed as the Independent Non-Executive Director of the Company and as Chairman of the Audit Committee with effect from 3 May 2018. Mr Loy's deep experience in the FMCG industry will be valuable to us.

On behalf of the Board, I extend my gratitude to all the staff of Oceanus for their dedication and hard work which has enabled us to tide through the difficult years. Also, I would like to extend my sincere appreciation to our shareholders, partners and business associates for their continued confidence and unwavering support to Oceanus.

With the right people in place, we look forward to bringing the Group to greater heights as we embark on a new sustainable growth chapter.

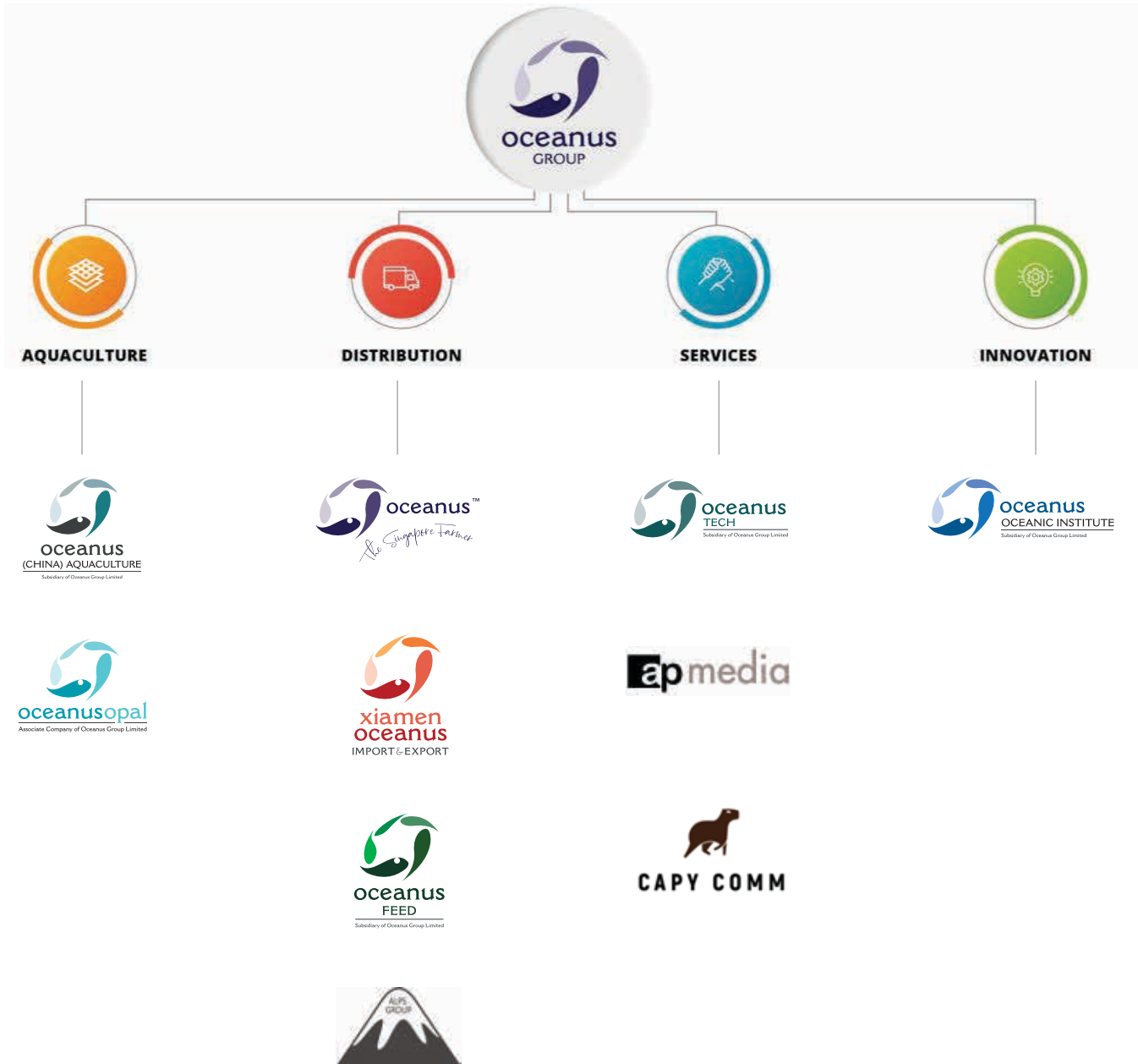
Yours Sincerely,

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



**B**UILDING A  
SYNERGISTIC  
AQUACULTURE  
ECOSYSTEM  
DIVERSIFYING BEYOND FARMING

## OCEANUS' FOUR PILLARS OF GROWTH



## Aquaculture

*The global seafood market is forecasted to grow at a compounded annual growth rate of approximately 4.3% to around US\$210 billion in 2024. Supported by higher demand and technological improvements, aquaculture is therefore a cornerstone of Oceanus Group's business, with a focus on addressing global food security. Strong emphasis is placed on sustainable practices and the use of cutting-edge aquaculture technologies.*



**oceanus**

**(CHINA) AQUACULTURE**

Subsidiary of Oceanus Group Limited

### **Oceanus Group (China) Aquaculture Ltd ("OCA")**

Oceanus' subsidiary, OCA, operates one of the world's largest land-based aquaculture farms located in the PRC, supporting its vision to be a global premium seafood value-chain manager. Oceanus takes on a science-and-evidence-based approach to farming, embracing technology to monitor and analyse breeding parameters and statistics for effective farming.



**oceanusopal**

Associate Company of Oceanus Group Limited

### **Oceanus Opal (S) Pte Ltd ("Oceanus Opal")**

Oceanus Opal overseas the Group's 11,900 sqm site in Sungei Tengah, Singapore, that was awarded by the Agri-Food and Veterinary Authority in February 2019. Design, planning and development is currently underway, with the target of commencing seafood farming in 2020. This marks Oceanus' first farming presence in Singapore, and a step towards strengthening the country's food security ambitions.

## Distribution

*Oceanus leverages its corporate presence and sizeable trading network across Asia to strengthen its position across the value chain – from raw materials to consumer goods.*



### **Oceanus Food Group Pte Ltd ("OFG")**

OFG focuses on the sale of canned and packed abalones which were launched in October 2018. Apart from high-quality wild abalones sourced from Australia, New Zealand and South Africa, OFG partners various Chinese manufacturers, producing canned juvenile abalones sourced directly from Oceanus Group's own farms – the first of its kind to be marketed in Singapore. These products are sold on various platforms, including Qoo10, Redmart, Facebook, Caltex Star Marts and corporate road shows.

OFG has also partnered with esteemed local chef and owner of Teochew Huat Kee Restaurant to develop key recipes for its abalone gift boxes targeted towards corporate customers.



**xiamen  
oceanus**

IMPORT & EXPORT

### **Xiamen Oceanus Import and Export Ltd ("XOIE")**

XOIE was established to set up a trading arm in China where Oceanus Group's abalone farming operations are located, in line with the Group's strategy of expanding food trading presence both in and out of China.



## oceanus FEED

Subsidiary of Oceanus Group Limited

### Oceanus Feed Pte Ltd (“Oceanus Feed”)

Oceanus’ trading subsidiary was established in April 2019. It is engaged in the trading of animal feed to customers across Asia.



### Alps Group Pte Ltd (“Alps Group”)

Acquired by Oceanus Group in December 2018, Alps Group is principally engaged in the sale of environmentally friendly disposable products, such as tissues, wet wipes, food packaging and disposable wares. Alps Group mainly distributes its products to a wide range of businesses including hotels such as Conrad, The Fullerton Hotel, Accor Hotels; and F&B establishments such as Common Man Coffee Roasters, The Prive Group; amongst others such as Golden Village Gold Class. Its consumer brand, “Cloversoft”, utilises bamboo pulp to develop these environmentally friendly products.

Not only is Alps Group’s ethos congruent with Oceanus’ strong belief in environment conservation, which furthers its food security vision, the Group is also able to tap into Alps Group’s distribution channels in Singapore, Indonesia, Malaysia and China.

### Innovation

***Recognising the importance of innovation and technology to remain ahead of the curve, Oceanus partners the brightest minds in the industry such as Temasek Polytechnic and James Cook University, amongst many others, to pursue cutting-edge aquaculture R&D.***



oceanus  
OCEANIC INSTITUTE  
Subsidiary of Oceanus Group Limited

### Oceanus Oceanic Institute (“OOI”)

Located at Oceanus Group’s farming site in China, OOI is responsible for the development and implementation of various risk management and protocols for all Oceanus Group’s farms, including its technology and systems, and the adoption of new technologies. It also collaborates with leading institutions to participate in cutting-edge aquaculture R&D relating to nutrition, disease detection, treatment and prevention, broodstock growth, amongst others, which can be applied towards enhancing yield and quality of Oceanus Group’s own biological assets.

### Partners:



### Services

***Apart from supporting Oceanus’ internal needs, the Services business provides consulting solutions relating to aquaculture, marketing and branding to third-parties to boost its overall contributions and profitability of the Group.***



oceanus  
TECH  
Subsidiary of Oceanus Group Limited

### Oceanus Tech Pte Ltd (“Oceanus Tech”)

Oceanus Tech was established in April 2017 to spearhead the Group’s efforts in high-tech aquaculture technologies and also provide third-party consultancy services. Oceanus Tech is headed by the CEO, Associate Professor Matthew Tan, who has over 30 years of experience in environmental engineering, wastewater management and aquaculture.



### AP Media Pte. Ltd. (“AP Media”)

AP Media is an integrated marketing agency, specialising in multi-disciplinary immersive media, interactive video and marketing consulting services. Alongside its subsidiary, Copy Comm, AP Media also provides business and investment marketing, enterprise branding & marketing-related services to clients across Asia-Pacific.

In 2019, AP Media received the first Singapore Business Review Tech Excellence Award (Media & Entertainment Category) for its multi-stream 360° virtual reality video for National Day Parade 2017 in Singapore. It was also nominated Top 10 360VR Company in Asia 2018 by RHB Media and was a Finalist for the SG:D TechBlazer Awards 2018.)

# **B**OARD OF DIRECTORS

# P



## Mr Peter H.K. Koh, PBM

### Executive Director and Chief Executive Officer

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

In recognition of his efforts and pivotal role in the Group's successful restructuring, Mr Koh was conferred the 2018 Outstanding CEO Award by Influential Brands, which the ceremony was held in conjunction with the 2018 ASIA CEO Summit.

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. He led its 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; Biolidics Limited, an SGX-listed company in the development of medical devices; as well as being appointed Investment Advisor to the Sino-Indian Conglomerate Ramky-Revo for their overseas investments.

Within the aquaculture industry, Mr Koh has taken up various positions with aquaculture innovation and research bodies, such as member of Advisory Board of James Cook University and member of Advisory Council of the Singapore Aquaculture Innovation Centre.

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, Councillor at Central Singapore Community Development Council and Singapore Community Chest Share Committee.

# E



## Mr Edward Loy Chee Kim

### Independent, Non-Executive Director

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Mr Edward Loy was appointed to the Board as an Independent, Non-Executive Director on 3 May 2018. Mr Loy is Chairman of the Audit Committee.

Mr Loy has almost three decades of experience across multiple industries – including Banking, Insurance and FMCG – in various markets across the Asia-Pacific region. He brings with him rich experience in financial restructuring, mergers & acquisitions, risk management, operational and general management.

Currently the Managing Director of KONE Malaysia, he has also held senior positions in several multi-national companies. He was Regional Audit Manager at Unilever and Regional Finance Director at Saint-Gobain before becoming its Managing Director for Malaysia, Singapore and Indonesia. His work with these global companies has taken him to living in different countries across 2 continents. He was posted to China twice in his career.

Mr Loy holds a Bachelor of Commerce (Economics and Accounting) from The Australian National University and is a qualified Certified Public Accountant. Mr Loy completed Executive Management Programs at MIT Sloan in 2015 and IMD in 2018.

# K



## Mr Kee Poir Mok

### Independent Director

---

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

Mr Kee is currently the Managing Partner of 125 Capital LLP, an investment management company. Prior to that, Mr Kee was the Regional Manager and Managing Director of Goldman Sachs, and also sat on the Board of Goldman Sachs Singapore Pte Ltd from 2003 to 2008. In addition to his 20 years of experience at Goldman Sachs, he also served managerial roles specialising in investments at Nikko Merchant Bank (Singapore) and United Overseas Bank (Singapore).

Mr Kee currently sits on the board of SGX-listed Serrano Holdings, he 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.



# S



## Mr Stephen Lee

### Non-Executive Director

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

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

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

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

# SENIOR MANAGEMENT

# D



## Mr Duane Ho

### Chief Financial Officer

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

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

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

# R



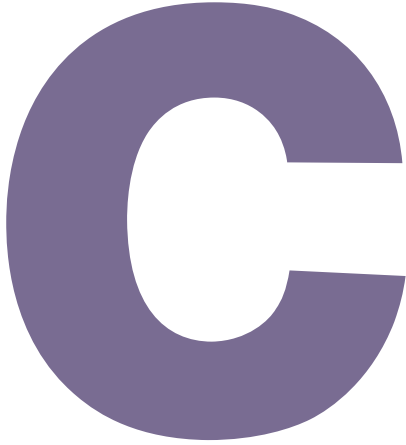
## Mr Robert Koh Operations Director (China)

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

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

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



# CORPORATE INFORMATION

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## **DIRECTORS**

### **EXECUTIVE DIRECTOR AND CEO**

Peter Koh Heng Kang

### **INDEPENDENT DIRECTORS**

Edward Loy Chee Kim

Kee Poir Mok

### **NON-EXECUTIVE DIRECTORS**

Stephen Lee

## **AUDIT COMMITTEE**

Edward Loy Chee Kim (Chairman)

Kee Poir Mok

Stephen Lee

## **NOMINATING COMMITTEE**

Kee Poir Mok

Stephen Lee

## **REMUNERATION COMMITTEE**

Kee Poir Mok

Stephen Lee

## **COMPANY SECRETARIES**

Raymond Lam Kuo Wei

Leh Si Yuan

## **REGISTERED OFFICE**

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## **REGISTRAR**

Boardroom Corporate & Advisory

Services Pte Ltd

50 Raffles Place

#32-01 Singapore Land Tower

Singapore 048623

## **BANKERS**

DBS Bank Ltd

Bank of China

## **AUDITOR**

RSM Chio Lim LLP

8 Wilkie Road

#03-08

Wilkie Edge

Singapore 228095

Partner-in-charge:

Ng Thiam Soon

(since financial year 2018)

**CORPORATE  
GOVERNANCE  
REPORT**

# Corporate Governance Report

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

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

## BOARD MATTERS

### Principle 1: The Board’s Conduct of Affairs

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

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

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

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

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

# Corporate Governance Report

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

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

The number of meetings held and the attendance at meetings of the Board and Board Committees by the previous and present Directors of the Company during the financial year end 31 December 2018 are, as follows:

	Board	AC	NC	RC
<b>Number of meetings held</b>	4	5	1	1
	<b>Number of meetings attended</b>			
Peter Koh Heng Kang	4	N.A.	N.A.	N.A.
Stephen Lee	3	3	1	1
Jason Aleksander Kardachi <sup>(1)</sup>	4	N.A.	1	1
Kee Poir Mok	3	4	1	1
Edward Loy Chee Kim <sup>(2)</sup>	3	3	N.A.	N.A.
Yeo Kan Yen, Alvin <sup>(3)</sup>	1	2	1	1
Wong Ann Chai <sup>(4)</sup>	4	N.A.	1	1

## Notes:

- (1) Mr Jason Aleksander Kardachi (“Mr Kardachi”) was ceased as the Non-Independent Non-Executive Director and a member of the NC and RC as per the announcement on cessation of director released to SGX-ST on 8 May 2019.
  - (2) Mr Edward Loy Chee Kim was appointed as the Independent Non-Executive Director (“INED”) and Chairman of the AC of the Company on 3 May 2018.
  - (3) Mr Yeo Kan Yen, Alvin retired as the Lead INED, Chairman of the AC and a member of the NC and RC of the Company on 30 April 2018.
  - (4) Mr Wong Ann Chai resigned as the INED and Chairman of the NC and RC of the Company on 31 January 2019.
- N.A. Not applicable

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

The newly appointed Directors are given an orientation on the Group’s business strategies and operations. Directors also have the opportunity to visit the Group’s operating facilities and meet with Management to gain a better understanding of the Group’s business operations and governance practices.

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



# Corporate Governance Report

## Principle 2: Board Composition and Guidance

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

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

Mr Peter Koh Heng Kang	Executive Director and Chief Executive Officer
Mr Stephen Lee	Non-Executive Director
Mr Edward Loy Chee Kim	Independent Director
Mr Kee Poir Mok	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 two (2) Independent Directors, namely Mr Edward Loy Chee Kim and Mr Kee Poir Mok one (1) Executive Director, namely Mr Peter Koh Heng Kang, and one (1) Non-Executive Directors, namely Mr Stephen Lee. The Board will source for suitable candidates who can strengthen the experience and expertise of the Board and Board Committee. The Company has not yet taken firm decision on the appointment of a new Chairman and continues to search for a suitable candidate.

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

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

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

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

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

To facilitate a more effective check on the Management, the Non-Executive Directors shall meet at least annually without the presence of Management.

# Corporate Governance Report

## Principle 3: Chairman and Chief Executive Officer

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

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

The Company has not yet taken a firm decision on the appointment of a new Chairman.

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.

Due to the recent changes of the board composition, the Company is looking into the appointment of the Lead Independent Director and will release the relevant announcement when necessary. The Independent Directors meet without the presence of the Executive Director and Management to discuss matter that were deliberated at the Board meetings where necessary.

## 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 one (1) Independent Director, namely Mr Kee Poir Mok and one (1) Non-Executive Director, namely Mr Stephen Lee. The current composition of the NC falls short of the requisite minimum 3 members set out under the Code. As set out above, the Board is in the process of sourcing for suitable candidates to strengthen the Board and Board Committees.

# Corporate Governance Report

The roles and functions of the NC are as follows:

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

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

The Constitution requires one-third (1/3) of the Directors (except the Managing Director) to retire from office at least once every three years at an annual general meeting ("AGM") and the retiring Directors are eligible to offer themselves for re-election. The re-election of each Director is voted on separately at the AGMs. To assist shareholders in their decision, information such as personal profile and meetings attendance of each Director standing for election are furnished in the various sections of this Annual Report. The NC had recommended to the Board that Mr Kee Poir Mok and Mr Stephen Lee would retire at the forthcoming AGM pursuant to Regulation 111 of the Company's Constitution and Mr Edward Loy Chee Kim would retire at the forthcoming AGM pursuant to Regulation 121 of the Company's Constitution.

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 Board Committees 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.

# Corporate Governance Report

## Principle 5: Board Performance

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

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

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

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

## Principle 6: Access to Information

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

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

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

The Directors have separate and independent access to the Company Secretaries. The Company Secretaries attend Board meetings and ensures that Board procedures and the provisions of applicable laws, the Constitution and the SGX-ST Listing Manual are complied with and that proper minutes of the same are taken and kept. The appointment and removal of the Company Secretaries are subject to the approval of the Board. The Board have a procedure for directors to take independent professional advice, where necessary, at the Company's expenses.

# Corporate Governance Report

## 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 one (1) Independent Director, namely Mr Kee Poir Mok and one (1) Non-Executive Director, namely Mr Stephen Lee. The current composition of the RC falls short of the requisite minimum 3 members set out under the Code. As set out above, the Board is in the process of sourcing for suitable candidates to strengthen the Board and Board Committees.

The roles and functions of the RC are as follows:

- to recommend to the Board a framework of remuneration for the directors and senior management;
- to determine specific remuneration packages for each executive director;
- in the case of service contracts of directors, to review and to recommend to the Board the terms of renewal of the service contracts;
- to consider the various disclosure requirements for directors' and key executives' remuneration, particularly those required by regulatory bodies such as the SGX-ST, and ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties;
- to review the Company's obligation arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clause which are not overly generous; and
- to carry out such other duties as may be agreed to by the RC and the Board.

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

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

# Corporate Governance Report

## 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.

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

## Principle 9: Disclosure on Remuneration

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

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

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

The breakdown, showing the level and mix of each individual Director's remuneration in percentage term for the financial year ended 31 December 2018 is, as follows:

# Corporate Governance Report

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	87%	-	13%	-
Below S\$250,000				
Kee Poir Mok	-	100%	-	-
Stephen Lee	-	100%	-	-
Jason Aleksander Kardachi <sup>(1)</sup>	-	100%	-	-
Edward Loy Chee Kim <sup>(2)</sup>	-	100%	-	-
Yeo Kan Yen, Alvin <sup>(3)</sup>	-	100%	-	-
Wong Ann Chai <sup>(4)</sup>	-	100%	-	-

**Notes:**

- (1) Mr Jason Aleksander Kardachi ("Mr Kardachi") ceased as the Non-Independent Non-Executive Director and a member of the NC and RC as per the announcement on cessation of director released to SGX-ST on 8 May 2019.
  - (2) Mr Edward Loy Chee Kim appointed as the Independent Non-Executive Director ("INED") and Chairman of the AC of the Company with effect from 3 May 2018.
  - (3) Mr Yeo Kan Yen, Alvin retired as the Lead INED, Chairman of the AC and a member of the NC and RC of the Company on 30 April 2018.
  - (4) Mr Wong Ann Chai resigned as the INED and Chairman of the NC and RC of the Company on 31 January 2019.
- N.A. Not applicable

The top key management personnel (who was not Director) of the Group during the financial year ended 31 December 2018 fell within the remuneration in bands of S\$250,000:

- Robert Koh Keng Guan - Operations Director (China Operations)
- Ho Jun How Duane - Chief Financial Officer ("CFO")

The aggregate remuneration paid to the above key management personnel for the financial year ended 31 December 2018 is S\$225,000.

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

The Directors' fees paid to Independent Directors are also reviewed by the RC to ensure that the remuneration commensurate with the contributions, responsibilities of the Directors and the need to pay competitive fees to attract and retain the Directors. The Directors' fees recommended to the Board for payment are subject to the shareholders' approval at each AGM. The remuneration for the Executive Directors and the key management personnel comprises salary and bonus that is linked to the performance of the Company and individual. The above actions enable the Company to align the remuneration of Directors and key management personnel 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.

# Corporate Governance Report

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\$100,000 to S\$150,000 for the financial year ended 31 December 2018.

Currently, the Group does not have any employee share option scheme in place.

## 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 quarterly and annual financial statements to its shareholders, the Board, with the assistance of the management, strives to provide a balanced and understandable assessment of the Company's performance, position and prospects. The Board also undertakes such effort in respect of other price sensitive public reports and reports to regulators, where required.

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

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

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

### Principle 11: Risk Management and Internal Controls

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

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



# Corporate Governance Report

During the financial year under review, the AC was assisted by Management (the Executive Director, the CFO and 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.

The Group 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 and CFO that the financial records have been properly maintained and financial statements for the financial year under review give a true and fair view of the Company's operations and finances, and that an effective risk management and internal control system has been put in place.

Mr Ho Jun How Duane has been appointed as a CFO of the Company on 5 March 2018. He is responsible for the Company's financial and management accounting, treasury, taxation and any other corporate compliance matters. Prior to his appointment, Ms Tan May Ling who was appointed as Group Financial Controller on 1 February 2017, together with CEO were responsible the Company's internal controls and risk management of the Company.

# Corporate Governance Report

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 Edward Loy Chee Kim and Mr Kee Poir Mok and one (1) Non-Executive Director, namely Mr Stephen Lee. Mr Edward Loy Chee Kim is the Chairman of the AC.

The roles and functions of the AC are as follows:

- commissioning of the external auditors or a suitable accounting firm to conduct a full review of the internal controls of the Group, which includes reviewing the audit plans of the external auditors, the results of the external and internal auditors' examination and their evaluation of internal accounting controls systems, and the external auditors' report, letter to management and the management's response thereto;
- reviewing the internal control and procedures and ensuring the co-ordination between the auditors and Management, reviewing the co-operation and assistance given by the management to the auditors, and discussing problems and concerns, if any, arising from the interim and final audits and any matters which the auditors may wish to discuss (in the absence of the management where necessary);
- ensuring that the internal audit function is adequate and that a clear reporting structure is in place between the AC and the internal auditors, and reviewing the scope and results of the internal audit procedures including the effectiveness of the internal audit function. In particular, ensuring that all internal control weaknesses are satisfactorily and properly rectified and that the SGX-ST is updated on any findings of the external auditors or accounting firm and any action taken by the AC to rectify such weaknesses pursuant thereto;
- ensuring that a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually by the internal and/or external auditors;
- reviewing and ensuring the integrity of the financial statements of the Group before submission to the Board for approval, focusing in particular, on significant financial reporting issues, changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards and compliance with the SGX-ST Listing Manual 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;

# Corporate Governance Report

- 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 SGX-ST Listing Manual;
- 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 SGX-ST Listing Manual, or by such amendments made thereto from time to time;
- assessing the performance of the chief financial officer, for the relevant period, on an annual basis to determine his suitability for the position;
- at quarterly intervals, or any other period that the AC deems fit, ensuring that trade receivables are stated at fair value, accurately recorded in the financial statements;
- conducting such tests and examinations of financial statements including, but not limited to, securing independent confirmations of balances from major debtors, checking on frequencies of payments from major debtors and evaluating the adequacy of credit policies; and
- reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties).

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

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

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

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

# Corporate Governance Report

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.

Pursuant to Section 205AB of the Act, the approval on resignation of Foo Kon Tan LLP (“FKT”) has been granted by the Accounting and Corporate Regulatory Authority, Singapore (“ACRA”) on 26 November 2018. RSM Chio Lim LLP (“RSM”) has been appointed as the Auditors of the Company in place of FKT. The appointment of RSM as Auditors of the Company had been tabled at the Extraordinary General Meeting of the Company held on 29 January 2019 and subsequently approved by Shareholders.

For the financial year ended 31 December 2018, the aggregate amount of the agreed audit and non-audit fees to be paid to RSM is RMB637,000. The AC has conducted an annual review of all non-audit services provided by the independent auditors and is satisfied that the nature and extent of such services do not affect the independence of the independent auditors.

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 2018.

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

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

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

## **Principle 13: Internal Audit**

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

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

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

# Corporate Governance Report

## 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 SGX-ST Listing Manual, 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;
- quarterly and full year 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](http://www.oceanus.com.sg) through which shareholders can access information on the Company.

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

# Corporate Governance Report

## 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 SGX-ST Listing Manual. 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. quarterly and full year 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 shareholders' 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 by way of post or by electronic transmission in accordance with the Act, the SGX-ST Listing Manual and the Company's Constitution. The members of the AC, NC and RC will be present at AGMs to answer questions relating to the work of these committees. The external auditors will also be present to assist the Directors in addressing any relevant queries by shareholders. The Board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad-hoc basis.

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

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

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

# Corporate Governance Report

## 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 quarterly 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 2018 or entered into since the end of the previous financial year ended 31 December 2017.

## USE OF PROCEEDS AND RESTRUCTURING

On 26 December 2017, the Company had raised S\$6.0 million from the issuance of 1,518,987,341 new ordinary shares at S\$0.00395 each in the issued and paid-up share capital of the Company from the debt restructuring exercise. As at 28 June 2019, the Company has utilized the proceeds for the following purposes:

# Corporate Governance Report

<b>Intended used</b>	<b>Amount allocated (S\$'000)</b>	<b>Amount utilized (S\$'000)</b>	<b>Balance amount (S\$'000)</b>
Working capital requirements	4,950	-	4,950
Repayment of existing debt	1,050	1,050	-
<b>Total</b>	<b>6,000</b>	<b>1,050</b>	<b>4,950</b>

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



# Additional Information on Directors Seeking Re-election

Pursuant to Rule 720(6) of the Listing Manual: Main Board Rules of the SGX-ST ("**Main Board Rules**"), the information relating to Mr Kee Poir Mok, Mr Stephen Lee and Mr Edward Loy Chee Kim as set out in Appendix 7.4.1 of the Main Board Rules is set out below:

	MR KEE POIR MOK	MR STEPHEN LEE	MR EDWARD LOY CHEE KIM
Date of Appointment	31 July 2013	10 October 2012	3 May 2018
Date of last re-appointment	18 May 2017	22 December 2017	N.A.
Age	62	57	52
Country of principal residence	Singapore	Hong Kong	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Kee Poir Mok as the Independent Non-Executive Director was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration Mr Kee's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr Stephen Lee as the Non-Independent Non-Executive Director was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration Mr Lee's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr Edward Loy Chee Kim as the Independent Non-Executive Director was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration Mr Loy's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Director and member of the Audit Committee, Nominating Committee and Remuneration Committee	Non-Executive Director and member of the Audit Committee, Nominating Committee and Remuneration Committee	Independent Non-Executive Director and Chairman of the Audit Committee
Professional qualifications	Bachelor of Business Administration, National University of Singapore	<ul style="list-style-type: none"> <li>• Master of Business Administration, University of Toronto, Canada</li> <li>• Master in Engineering in Transportation &amp; Urban Planning, University of Toronto, Canada</li> <li>• Bachelor of Science in Civil Engineering, University of Toronto, Canada</li> </ul>	<ul style="list-style-type: none"> <li>• Australian Certified Public Accountant</li> <li>• Bachelor of Commerce (Economics and Accounting), The Australian National University</li> </ul>
Working experience and occupation(s) during the past 10 years	<p><u>2012 to Present</u> Managing Partner, 125 Capital LLP</p> <p><u>January 2002 – January 2009</u> Regional Manager and Managing Director, Goldman Sachs Singapore</p>	Mr Stephen Lee serves as the Managing Director of Investment at AIF Capital Limited. Mr Lee joined AIF Capital in 1994 and has been a Partner since 2001. He has been actively involved in deal origination, transaction	<p><u>4 January 2016 - Present</u> Managing Director, KONE, Malaysia</p> <p><u>4 May 2008 – 31 December 2015</u> Managing Director, Saint-Gobain, Malaysia, Singapore</p>

# Additional Information on Directors Seeking Re-election

		execution, investment management and portfolio management and exits for the Firm across the region in the last 24 years, and represents AIF Capital on boards of various portfolio companies. His sector investment experience includes manufacturing and industrial, media, pharmaceutical and healthcare, aquaculture, consumer, new materials, telecommunication, logistics and transportation in China, Hong Kong, Taiwan, South Korea, India, Indonesia and Singapore.	and Indonesia
Shareholding interest in the listed issuer and its subsidiaries	Yes (Direct interest: 186,442,338 ordinary shares in the Company)	Yes (Direct interest: 13,100,681 ordinary shares in the Company)  (Deemed interest: 4,795,668,398 ordinary shares in the Company held by Ocean Wonder International Limited)	No
Any relationship (including immediate family relationships) with any existing director, executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No	No
Conflict of interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments <sup>1</sup> Including Directorships			
Past (for the last 5 years)	Yuuzoo Corporation Limited	1. Orange Amber International Limited 2. Ruby Fortune Investments Limited	Kone Elevator (M) Sdn Bhd

<sup>1</sup> "Principal Commitments" includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

# Additional Information on Directors Seeking Re-election

Present	<ol style="list-style-type: none"> <li>1. 125 Capital LLP</li> <li>2. Serrano Limited</li> </ol>	<ol style="list-style-type: none"> <li>3. Ottoman Global Holdings Limited</li> <li>4. Riber Global Limited</li> <li>5. Aladdin Media Holdings Limited</li> <li>6. Talent Forever Holdings Limited</li> <li>7. Chaview Investments Limited</li> <li>8. Ocean Wonder International Limited</li> <li>9. Hope Sun Holdings Limited</li> <li>10. Weixin Holdings Limited</li> <li>11. Waston Medical</li> <li>12. Waston Investment Holdings Limited</li> <li>13. Venus New Material Limited</li> <li>1. AIF Capital Asia III GP Limited</li> <li>2. AIF Capital Asia Management Ltd.</li> <li>3. AIF Capital III Designated Limited Partner, Ltd.</li> <li>4. AIF Capital Innovations Limited</li> <li>5. AIF Capital Machinery Investment Limited</li> <li>6. Board Harvest Holdings Limited</li> <li>7. CN Innovations Holdings (BVI) Limited</li> <li>8. CN Innovations Holdings Limited</li> <li>9. Oceanus Aquaculture Group Pte. Ltd.</li> <li>10. Oceanus Group Limited</li> <li>11. Oceanus Food Group Pte. Ltd.</li> <li>12. Able Surge Holdings Limited</li> <li>13. Adorer Limited</li> <li>14. AIF Capital Asia IV GP Limited</li> <li>15. AIF Capital Asia Management IV, Ltd.</li> <li>16. Aofeng Hi-Tech Company Limited</li> <li>17. Aosheng Hi-Tech Limited (Hong Kong company)</li> <li>18. Aosheng Hi-Tech Limited (Samoa company)</li> <li>19. Brilliant Plumbing Hong Kong Limited</li> </ol>	Kone Elevator (M) Sdn Bhd
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# Additional Information on Directors Seeking Re-election

		<p>20. Brilliant Plumbing International Company Limited</p> <p>21. Brilliant Plumbing Technology Company Limited</p> <p>22. Jiangsu Aosheng Composite Materials Hi-Tech Co., Ltd</p> <p>23. Sceneray Sharp Investment Limited</p> <p>24. Sonic Robust Limited</p> <p>25. Tenda Holding Limited</p> <p>26. X-Fiper New Material Co., Ltd</p> <p>27. Zebra Holding Limited</p> <p>28. Zeeman Limited</p> <p>29. AIF Capital China Limited</p> <p>30. AIF Capital Limited</p> <p>31. AIF Capital Partners, Ltd.</p> <p>32. Good View Group Limited</p>	
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive	No	No	No

# Additional Information on Directors Seeking Re-election

of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?			
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No

# Additional Information on Directors Seeking Re-election

(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or	No	No	No

# Additional Information on Directors Seeking Re-election

governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?			
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of the followings in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?:- (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No

# Additional Information on Directors Seeking Re-election

(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No
Any prior experience as a director of an issuer listed on the Exchange?	N.A.	N.A.	N.A.
If YES, please provide details of prior experience	N.A.	N.A.	N.A.
If NO, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange	N.A.	N.A.	N.A.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)	N.A.	N.A.	N.A.



# Financial Contents

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# Statement by Directors

The directors of Oceanus Group Limited (the “Company”) and its subsidiaries (the “Group”) are pleased to present the accompanying financial statements of the Company and of the Group for the reporting year ended 31 December 2018.

## 1. Opinion of the directors

In the opinion of the directors,

- (a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the Company and, of the financial position and performance of the Group for the reporting year covered by the financial statements or consolidated financial statements; and
- (b) at the date of this statement, 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 approved and authorised these financial statements for issue.

## 2. Directors

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

Peter Koh Heng Kang  
Edward Loy Chee Kim (appointed on 3 May 2018)  
Kee Poir Mok  
Stephen Lee

## 3. Directors’ interests in shares and debentures

The directors of the Company holding office at the end of the reporting year were not interested in shares in or debentures of the Company as recorded in the register of directors’ shareholdings kept by the Company under section 164 of the Companies Act, Chapter 50 (the “Act”) except as follows:

	<u>Direct interest</u>		<u>Deemed interest</u>	
	At beginning of the reporting year	At end of the reporting year	At beginning of the reporting year	At end of the reporting year
The Company	<u>Number of shares of no par value</u>			
Peter Koh Heng Kang	2,486,188,837	2,486,188,837	–	–
Kee Poir Mok	186,442,338	186,442,338	–	–
Stephen Lee	13,100,681	13,100,681	5,523,070,991	4,795,668,398
Jason Aleksander Kardachi	5,635,087	5,635,087	–	–

The directors’ interests as at 21 January 2019 were the same as those at the end of the reporting year.

# Statement by Directors

## 4. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the Company is a party, being arrangements whose objects are, or one of whose objects is, to enable 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.

## 5. Options

During the reporting year, no option to take up unissued shares of the Company or other body incorporated in the Group was granted.

During the reporting year, there were no shares issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares under option.

## 6. Audit Committee

The members of the audit committee at the date of this report are as follow:

Edward Loy Chee Kim (Chairman)  
Stephen Lee  
Kee Poir Mok

The AC performs the functions specified by section 201B(5) of the Act. Among other functions, it performed the following:

- (i) reviewed 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) reviewed the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- (iii) reviewed 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 2018 as well as the auditor's report thereon;
- (iv) assessed the 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;

# Statement by Directors

## 6. Audit Committee (cont'd)

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

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

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

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

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

## 7. Independent auditor

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

## 8. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the Company, work performed by the external auditors, and reviews performed by management, other committees of the board and the board, the audit committee and the board are of the opinion that the Company's internal controls, addressing financial, operational, compliance risks and information technology controls and risk management systems, are adequate as at and for the reporting year ended 31 December 2018.

# Statement by Directors

## 9. Subsequent developments

There are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 1 March 2019, which would materially affect the Group's and the Company's operating and financial performance as of the date of this report except for those disclosed in Notes 34 and 35 to the financial statements.

As announced by the Company on 4 April 2019, management has voluntarily undertaken a revision exercise in respect of the financial statements for the financial year ended 31 December 2017 under Section 202A(2) of the Act to ensure compliance with accounting standards. Management has engaged the incumbent independent auditors for the reporting year ended 31 December 2017 to audit the revised financial statements for the reporting year ended 31 December 2017. This ongoing revision exercise is of a limited scope pertaining to periods prior to the year ended 31 December 2018, and therefore assessed to have zero or immaterial effect on the financial performance and cash flows for the year ended 31 December 2018.

On behalf of the directors

.....  
Peter Koh Heng Kang  
Director

.....  
Kee Poir Mok  
Director

8 July 2019

# Independent Auditor's Report

To the Members of Oceanus Group Limited

## Report on the audit of the financial statements

### Qualified Opinion

We have audited the accompanying financial statements of Oceanus Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group, and statement of changes in equity of the Company for the reporting year then ended, and notes to the financial statements, including accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) (SFRS (I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the reporting year ended on that date.

### Basis for Qualified opinion

We were appointed auditors of the Company on 29 January 2019 for the reporting year ended 31 December 2018. The financial statements for the reporting year ended 31 December 2017 were audited by other independent auditor (other than RSM Chio Lim LLP) whose report dated 13 April 2018 expressed a qualified opinion. Details of the qualifications are disclosed in Note 38 to the financial statements.

Under Section 202A(2) of the Act, management has voluntarily undertaken a revision exercise in respect of the financial statements for the financial year ended 31 December 2017. Consequentially, management has engaged the incumbent independent auditors (other than RSM Chio Lim LLP) for the reporting year ended 31 December 2017 to audit the revised financial statements for the reporting year ended 31 December 2017. The re-audit will commence following the acceptance of the Company's proposed restatement procedures by the ACRA. The Company expects to receive the ACRA acceptance in due course. Therefore, we were unable to determine the extent of the effect on the opening balances for the reporting year ended 31 December 2018, and if any, on the financial performance and cash flows for the year ended 31 December 2018.

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

# Independent Auditor's Report

To the Members of Oceanus Group Limited

## Other information

Management is responsible for the other information. The other information comprises the statement by directors but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Key Audit Matters

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

### (a) Impairment assessment of property, plant and equipment and prepaid leases

Refer to Note 2C - Critical judgements, assumptions and estimation uncertainties, Note 11 - Property, plant and equipment and Note 16 - Prepaid leases.

Property, plant and equipment and prepaid leases collectively account for approximately 49% of the Group's total assets as at 31 December 2018.

Management engaged an independent external valuer to assess the recoverable amount of property, plant and equipment, land use right and prepaid leases. The recoverable amount was determined to be the fair value less cost to sell of these assets. The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and the underlying assumptions to be applied.

#### How we addressed the matter in our audit

Our procedures include the review of the external valuer's report and assessed adequacy of judgements and assumptions considered by the valuer concerned. We assessed the competency, capabilities and objectivities of the valuer engaged by management. We have also involved our internal valuation specialist to assist us with our audit of the valuation models and of the unobservable inputs of those models. We have also reviewed the adequacy of disclosures in this area.

# Independent Auditor's Report

To the Members of Oceanus Group Limited

## Key Audit Matters (cont'd)

### (b) Impairment of cost of investment in subsidiaries

Refer to Note 2C - Critical judgements, assumptions and estimation uncertainties, Note 13 - Investment in subsidiaries.

Investment in subsidiaries accounts for approximately 75% of the Company's total assets as at 31 December 2018.

As at 31 December 2018, the carrying amount of the Company's investment in subsidiaries comprised mainly investment in Oceanus Aquaculture Group Pte. Ltd. ("OAG"). OAG has investment in subsidiaries Oceanus (China) Aquaculture Co., Ltd. ("OCA") and Xiamen Oceanus Import and Export Ltd ("XOIE") (Collectively known as "OAG Group"). The operations of these subsidiaries are in aquaculture production, abalone farming and trading and distribution.

OAG Group has significant negative consolidated equity balance of RMB778 million as at 31 December 2018. Management has assessed the recoverable value amount of OAG Group based on external valuation of its principal assets. The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and the underlying assumptions to be applied.

#### How we addressed the matter in our audit

Our procedures include the review of the external valuer's report and assessed adequacy of judgements and assumptions considered by the valuer concerned. We assessed the competency, capabilities and objectivities of the valuer engaged by management. We have also involved our internal valuation specialist to assist us with our audit of the valuation models and of the unobservable inputs of those models. We have also reviewed the adequacy of disclosures in this area.

## Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and the 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.

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

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



# Independent Auditor's Report

To the Members of Oceanus Group Limited

## Auditor's responsibilities for the audit of the financial statements

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

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

- a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

# Independent Auditor's Report

To the Members of Oceanus Group Limited

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

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

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

## 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 by those subsidiary corporations incorporated in Singapore of which we are auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ng Thiam Soon.

RSM Chio Lim LLP  
Public Accountants and  
Chartered Accountants  
Singapore

8 July 2019

Engagement partner - effective from year ended 31 December 2018

# Consolidated Statements of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2018

	<u>Notes</u>	<u>2018</u> RMB'000	<u>Group</u> <u>2017</u> RMB'000
<b>Revenue</b>	5	21,017	20,745
Other operating income	6	63,292	311,521
Cost of inventories		(18,168)	(19,988)
Gain arising from changes in fair value less costs to sell biological assets	17	14,386	8,062
Employee benefits expense	8	(8,296)	(6,700)
Depreciation and amortisation expense		(12,169)	(14,723)
Finance costs	7	–	(17,821)
Other operating expenses	6	(12,967)	(91,457)
<b>Profit before tax from continuing operation</b>		<u>47,095</u>	<u>189,639</u>
Income tax expense	10	–	–
<b>Profit for the year from continuing operation for the year</b>	9	47,095	189,639
<b>Discontinued operations</b>			
Profit/(loss) for the year from discontinued operations	28	1,762	(301)
<b>Profit for the year</b>		<u>48,857</u>	<u>189,338</u>
<b>Other comprehensive (loss)/income:</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translating foreign operations, net of tax		(7,205)	14,288
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<u>(7,205)</u>	<u>14,288</u>
<b>Total comprehensive income for the year, net of tax</b>		<u>41,652</u>	<u>203,626</u>
Profit attributable to owners of the parent, net of tax		48,782	189,343
Profit/(loss) attributable to non-controlling interests, net of tax		75	(5)
<b>Profit net of tax</b>		<u>48,857</u>	<u>189,338</u>
Total comprehensive income attributable to owners of the parent		41,577	203,631
Total comprehensive income/(loss) attributable to non-controlling interests		75	(5)
<b>Total comprehensive income</b>		<u>41,652</u>	<u>203,626</u>

# Consolidated Statements of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2018

	<u>Notes</u>	<u>2018</u> RMB	<u>2017</u> RMB
<b>Earnings/(loss) per share</b>			
Earnings/(loss) per share currency unit		<u>Fen</u>	<u>Fen</u>
<b>Continuing operation</b>			
- Basic	29	0.19	3.89
- Diluted	29	<u>0.19</u>	<u>3.89</u>
<b>Discontinuing operation</b>			
- Basic	29	0.01	(0.01)
- Diluted	29	<u>0.01</u>	<u>(0.01)</u>
<b>Total</b>			
- Basic	29	0.20	3.88
- Diluted	29	<u>0.20</u>	<u>3.88</u>

The accompanying notes form an integral part of these financial statements

# Statements of Financial Position

As at 31 December 2018

	Notes	31 December 2018 RMB'000	Group 31 December 2017 RMB'000	1 January 2017 RMB'000
<b>ASSETS</b>				
<b><u>Non-current assets</u></b>				
Property, plant and equipment	11	108,664	81,868	154,645
Goodwill	12	3,368	–	–
Other receivable, non-current	14	5,043	–	–
Other financial assets	15	–	–	–
Other assets, non-current	16	1,976	5,791	6,007
<b>Total non-current assets</b>		<b>119,051</b>	<b>87,659</b>	<b>160,652</b>
<b><u>Current assets</u></b>				
Biological assets	17	1,816	3,234	6,404
Inventories	18	3,315	86	180
Trade and other receivables	19	2,606	9,054	4,824
Other assets, current	20	1,314	238	212
Cash and cash equivalents	21	96,367	114,164	9,545
<b>Total current assets</b>		<b>105,418</b>	<b>126,776</b>	<b>21,165</b>
<b>Total assets</b>		<b>224,469</b>	<b>214,435</b>	<b>181,817</b>
<b>EQUITY AND LIABILITIES</b>				
<b><u>Equity</u></b>				
Share capital	22	2,794,067	2,794,067	2,413,255
Reserves	23	(2,658,845)	(2,683,356)	(2,904,053)
Equity attributable to owners of the Company		135,222	110,711	(490,798)
Non-controlling interests		2,727	829	–
<b>Total equity</b>		<b>137,949</b>	<b>111,540</b>	<b>(490,798)</b>
<b><u>Non-current liabilities</u></b>				
Borrowings, non-current	24	–	–	7,649
Convertible loans, non-current	25	–	–	44,122
<b>Total non-current liabilities</b>		<b>–</b>	<b>–</b>	<b>51,771</b>
<b><u>Current liabilities</u></b>				
Income tax payable		23,948	23,948	23,948
Trade and other payables	26	59,177	75,563	132,257
Borrowings, current	24	3,395	3,384	8,316
Convertible loans, current	25	–	–	308,774
Derivative liability	27	–	–	147,549
<b>Total current liabilities</b>		<b>86,520</b>	<b>102,895</b>	<b>620,844</b>
<b>Total liabilities</b>		<b>86,520</b>	<b>102,895</b>	<b>672,615</b>
<b>Total equity and liabilities</b>		<b>224,469</b>	<b>214,435</b>	<b>181,817</b>

The accompanying notes form an integral part of these financial statements.

# Statements of Financial Position

As at 31 December 2018

	<u>Notes</u>	<u>31 December</u> <u>2018</u> RMB'000	<u>Company</u> <u>31 December</u> <u>2017</u> RMB'000	<u>1 January</u> <u>2017</u> RMB'000
<b>ASSETS</b>				
<b><u>Non-current assets</u></b>				
Property, plant and equipment	11	288	–	–
Investment in subsidiaries	13	81,494	81,489	157,559
Other receivables, non-current	14	5,043	–	–
Other financial assets	15	–	–	–
<b>Total non-current assets</b>		86,825	81,489	157,559
<b><u>Current assets</u></b>				
Other receivables, current	19	5,330	9,907	13,846
Other assets	20	79	–	–
Cash and cash equivalents	21	16,382	38,495	3,170
<b>Total current assets</b>		21,791	48,402	17,016
<b>Total assets</b>		108,616	129,891	174,575
<b>EQUITY AND LIABILITIES</b>				
<b><u>Equity</u></b>				
Share capital	22	2,794,067	2,794,067	2,413,255
Reserves	23	(2,802,490)	(2,778,116)	(2,832,358)
<b>Total (deficit)/equity</b>		(8,423)	15,951	(419,103)
<b><u>Non-current liabilities</u></b>				
Borrowings, non-current	24	–	–	7,649
Convertible loans, non-current	25	–	–	44,122
<b>Total non-current liabilities</b>		–	–	51,771
<b><u>Current liabilities</u></b>				
Other payables	26	113,644	110,556	77,268
Borrowings, current	24	3,395	3,384	8,316
Convertible loans, current	25	–	–	308,774
Derivative liability	27	–	–	147,549
<b>Total current liabilities</b>		117,039	113,940	541,907
<b>Total liabilities</b>		117,039	113,940	593,678
<b>Total equity and liabilities</b>		108,616	129,891	174,575

The accompanying notes form an integral part of these financial statements.

# Statements of Changes in Equity

Year ended 31 December 2018

	Share capital RMB'000	Capital reserve RMB'000	Convertible loans reserve RMB'000	Currency translation reserve RMB'000	Statutory reserve RMB'000	Accumulated losses RMB'000	Equity attributable to owners of the Company		Total equity RMB'000
							Company RMB'000	Non-controlling interests RMB'000	
<b>Group</b>									
<b>Current year:</b>									
Opening balance at 1 January 2018	2,794,067	(1,120,438)	–	13,294	39,262	(1,615,474)	110,711	829	111,540
<b>Changes in equity:</b>									
Acquisition of subsidiaries (Note 32)	–	–	–	–	–	–	–	1,705	1,705
Share capital contribution in subsidiary	–	–	–	–	–	–	–	118	118
Return of shareholders' contribution (Note 15)	–	(17,066)	–	–	–	–	(17,066)	–	(17,066)
Total comprehensive income for the year	–	–	–	(7,205)	–	48,782	41,577	75	41,652
<b>Closing balance at 31 December 2018</b>	<b>2,794,067</b>	<b>(1,137,504)</b>	<b>–</b>	<b>6,089</b>	<b>39,262</b>	<b>(1,566,692)</b>	<b>135,222</b>	<b>2,727</b>	<b>137,949</b>
<b>Previous year:</b>									
Opening balance at 1 January 2017	2,413,255	(1,137,504)	101,651	(994)	39,262	(1,906,468)	(490,798)	–	(490,798)
<b>Changes in equity:</b>									
Issue of shares (Note 22)	380,812	–	–	–	–	–	380,812	–	380,812
Shareholder's contribution (Note 15)	–	17,066	–	–	–	–	17,066	–	17,066
Share capital contribution in subsidiary	–	–	–	–	–	–	–	834	834
Total comprehensive income for the year	–	–	–	14,288	–	189,343	203,631	(5)	203,626
Transfer to accumulated losses	–	–	(101,651)	–	–	101,651	–	–	–
<b>Closing balance at 31 December 2017</b>	<b>2,794,067</b>	<b>(1,120,438)</b>	<b>–</b>	<b>13,294</b>	<b>39,262</b>	<b>(1,615,474)</b>	<b>110,711</b>	<b>829</b>	<b>111,540</b>

The accompanying notes form an integral part of these financial statements.

# Statements of Changes in Equity

Year ended 31 December 2018

<u>Company</u>	<u>Share capital</u> RMB'000	<u>Capital</u> <u>reserve</u> RMB'000	<u>Convertible</u> <u>loans reserve</u> RMB'000	<u>Currency</u> <u>translation</u> <u>reserve</u> RMB'000	<u>Accumulated</u> <u>losses</u> RMB'000	<u>Total equity</u> RMB'000
<b>Current year:</b>						
Opening balance at 1 January 2018	2,794,067	28,295	–	(6,215)	(2,800,196)	15,951
<b>Changes in equity:</b>						
Return of shareholders' contribution (Note 15)	–	(17,066)	–	–	–	(17,066)
Total comprehensive loss for the year	–	–	–	(2,997)	(4,311)	(7,308)
<b>Closing balance at 31 December 2018</b>	<b>2,794,067</b>	<b>11,229</b>	<b>–</b>	<b>(9,212)</b>	<b>(2,804,507)</b>	<b>(8,423)</b>
<b>Previous year:</b>						
Opening balance at 1 January 2017	2,413,255	11,229	101,651	1,852	(2,947,090)	(419,103)
<b>Changes in equity:</b>						
Issue of share of capital (Note 22)	380,812	–	–	–	–	380,812
Shareholder's contribution (Note 15)	–	17,066	–	–	–	17,066
Total comprehensive income for the year	–	–	–	(8,067)	45,243	37,176
Transfer to accumulated losses	–	–	(101,651)	–	101,651	–
<b>Closing balance at 31 December 2017</b>	<b>2,794,067</b>	<b>28,295</b>	<b>–</b>	<b>(6,215)</b>	<b>(2,800,196)</b>	<b>15,951</b>

The accompanying notes form an integral part of these financial statements.



# Consolidated Statement of Cash Flows

Year ended 31 December 2018

	<u>2018</u> RMB'000	<u>2017</u> RMB'000
<b><u>Cash flows from operating activities</u></b>		
Profit before taxation		
Continuing operations	47,095	189,639
Discontinued operations	1,762	(301)
	48,857	189,338
Adjustments for:		
Depreciation of property, plant and equipment	11,967	14,698
Gain on redemption of convertible loans	–	(179,517)
Gain on disposal of property, plant and equipment	(9,343)	(89,157)
Loss/(gain) on disposal of prepaid leases	3,613	(4,361)
(Reversal of)/impairment loss on other investment	(17,066)	17,066
Reversal of impairment loss on property, plant and equipment	(36,847)	(22,962)
Amortisation of prepaid leases	202	28
Reversal of impairment loss on prepaid leases	–	(5,043)
Bad debts on other receivables written back	–	(8,450)
Unrealised foreign exchange (gain)/loss	(7,804)	23,766
Interest income	(2,113)	(535)
Interest expense	–	17,821
Operating cash flows before changes in working capital	(8,534)	(47,308)
Inventories	(1,465)	94
Trade and other receivables	8,298	11
Other assets	(997)	4,183
Biological assets	1,418	4,587
Trade and other payables	(23,101)	8,588
Net cash flows used in operating activities	(24,381)	(29,845)
<b><u>Cash flows from investing activities</u></b>		
Purchase of property, plant and equipment	(3,799)	(9,554)
Acquisition of subsidiary (Note 32)	670	–
Disposal of property, plant and equipment	11,338	173,378
Disposal of prepaid leases	–	9,493
Capital contribution from non-controlling interests in subsidiary	118	834
Increase in convertible loan receivable	(5,043)	–
Interest received	2,113	535
Net cash flows from investing activities	5,397	174,686

# Consolidated Statement of Cash Flows

Year ended 31 December 2018

	<u>2018</u> RMB'000	<u>2017</u> RMB'000
<b><u>Cash flows from financing activities</u></b>		
Issue of shares	–	2,996
Increase in loans	–	23,534
Repayment of loans	–	(4,103)
Redemption of convertible bonds	–	(62,578)
Net cash flows used in financing activities	<u>–</u>	<u>(40,151)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(18,984)	104,690
Effect of cash and cash equivalent denominated in foreign currencies	1,187	(71)
Cash and cash equivalents, statement of cash flows, beginning balance	<u>114,164</u>	<u>9,545</u>
<b>Cash and cash equivalents, statement of cash flows, ending balance (note 21)</b>	<u>96,367</u>	<u>114,164</u>

The accompanying notes form an integral part of these financial statements.

# Notes to the Financial Statements

31 December 2018

## 1. General

Oceanus Group Limited (the “Company”) is incorporated in Singapore with limited liability. The financial statements are presented in Chinese Renminbi (“RMB”), the amounts are rounded to the nearest thousands, unless otherwise stated and they cover the Company and its subsidiaries (the “Group”).

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The Company is an investment holding company. The Company is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The principal activities of the subsidiaries are set out in the note 13 to the financial statements.

The registered office is: 31 Harrison Road #11-03/04 Food Empire Building, Singapore 369649. The Company is situated in Singapore.

On 14 December 2015, the Company announced that it was placed on the Watch-List by the SGX-ST under the financial entry criteria. On 3 March 2016, the Company announced that it was also placed on the Watch-List with effect from 3 March 2016 due to the minimum trading price (“MTP”) entry criteria. With respect to its placement on the Watch-List based on the financial entry criteria, the Company had to fulfil the financial exit criteria (“Financial Exit Criteria”) under Rule 1314(1) of the Listing Manual of the SGX-ST (“Listing Manual”) for its removal from the Watch-List within 24 months from 14 December 2015 (i.e. 14 December 2017). As announced by the Company on 6 March 2018 and 7 March 2018, the Company has since obtained from the SGX-ST an extension of up to 2 June 2018 to meet the Financial Exit Criteria. Separately, with respect to its placement on the Watch-List based on the MTP entry criteria, the Company has to fulfil the MTP exit criteria under Rule 1314(2) of the Listing Manual for its removal from the Watch-List within 36 months from 3 March 2016 (i.e. 3 March 2019). As announced by the Company on 24 April 2019, the Company has since obtained from SGX-ST an extension of up to 28 June 2019 to meet the Financial Exit Criteria. As announced by the Company on 12 June 2019, the Company has since obtained from the SGX-ST an extension of up to 31 July 2019 to meet the Financial Exit Criteria. Separately, with respect to its placement on the Watch-List based on the MTP entry criteria, the Company has to fulfil the MTP exit criteria under Rule 1314(2) of the Listing Manual for its removal from the Watch-List within 36 months from 5 June 2017 (i.e. 5 June 2020).

### Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)s”) and the related Interpretations to SFRS(I) (“SFRS (I) INT”) as issued by the Singapore Accounting Standards Council. They are in compliance with the provisions of the Companies Act, Chapter 50 (the “Act”) and with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

# Notes to the Financial Statements

31 December 2018

## 1. General (cont'd)

### Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

### Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make 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 reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

### Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Company and all of its subsidiaries. The consolidated financial statements are the financial statements of the Group (the parent and its subsidiaries) presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee.

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the Group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with the financial reporting standard on financial instruments.

The Company's separate financial statements have been prepared on the same basis, and as permitted by the Act, the Company's separate statement of profit or loss and other comprehensive income is not presented.

## 2. Significant accounting policies and other explanatory information

### 2A. Significant accounting policies

#### Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

#### Sales of goods

Revenue is recognised at a point in time when the performance obligation is satisfied by transferring a promised good or service to the customer. Control of the goods is transferred to the customer, generally on delivery of the goods (in this respect, incoterms are considered).

#### Consultancy services

Revenue from service orders and term projects is recognised when the entity satisfies the performance obligation at a point in time generally when the significant acts have been completed and when transfer of control occurs or for services that are not significant transactions revenue is recognised as the services are provided.

For distinct services in a series such as routine or recurring service contracts where the promise under the contract is for a specified services that meets the over time criteria or is a stand-ready or single continuous service and if the nature of service is distinct, substantially the same and has the same pattern of transfer or each time increment is distinct, then revenue is recognised at the amount that the entity has the right to bill a fixed amount for service provided.

#### Other income

Rental income is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term.

Interest income is recognised using the effective interest method.

# Notes to the Financial Statements

31 December 2018

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2A. Significant accounting policies (cont'd)

#### Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Pursuant to the relevant regulations of the People's Republic of China ("PRC") government, the subsidiaries in the PRC have each participated in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries in the PRC are required to contribute to a certain percentage to the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of those employees of the Group.

#### Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

#### Foreign currency transactions

The functional currency is Singapore dollar ("S\$") as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income and if applicable deferred in equity such as qualifying cash flow hedges.

# Notes to the Financial Statements

31 December 2018

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2A. Significant accounting policies (cont'd)

#### Foreign currency transactions (cont'd)

The presentation currency is Chinese Renminbi. For the RMB financial statements assets and liabilities are translated at year end rates of exchange and the income and expense items are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity. The translations of S\$ amounts into RMB amounts are included solely for the convenience of readers. The reporting year end rates used are RMB\$5.04 to S\$1.00 (2017: RMB4.87 to S\$1.00) which approximate the rate of exchange at the end of the reporting year. The average rates of exchange for the reporting year were RMB\$4.90 to S\$1.00 (2017: RMB4.88 to S\$1.00). Such translation should not be construed as a representation that the RMB amounts could be converted into S\$ at the above rate or other rate.

#### Translation of financial statements of other entities

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the combined financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

#### Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

# Notes to the Financial Statements

31 December 2018

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2A. Significant accounting policies (cont'd)

#### Business combinations

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities are recognised in accordance with the financial reporting standard on financial instruments. As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under the financial reporting standard on business combinations. If there is gain on bargain purchase, for the gain on bargain purchase a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit or loss.

#### Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

#### Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Goodwill is recognised as of the acquisition date measured as the excess of (a) over (b); (a) being the aggregate of: (i) the consideration transferred which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with the financial reporting standard on business combinations (measured either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets); and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) being the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with the financial reporting standard on business combinations.



# Notes to the Financial Statements

31 December 2018

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2A. Significant accounting policies (cont'd)

#### Goodwill (cont'd)

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Irrespective of whether there is any indication of impairment, goodwill and also any intangible asset with an indefinite useful life or any intangible asset not yet available for use are tested for impairment at least annually. Goodwill impairment is not reversed in any circumstances.

For the purpose of impairment testing and since the acquisition date of the business combination, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or groups of units. Each unit or Group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than a segment.

#### Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Buildings and farm structures	3%	-	10%
Leasehold improvements	7%	-	33%
Plant and machinery	10%	-	33%
Office equipment	12.5%	-	33%
Vehicles	12.5%	-	25%

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent cost are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

# Notes to the Financial Statements

31 December 2018

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2A. Significant accounting policies (cont'd)

#### Leases

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### Prepaid leases and land use rights

Prepaid leases and land use rights represent upfront payments to acquire long-term interest in the usage of land. Prepaid leases and land use rights are initially measured at cost. Following initial recognition, these assets are measured at cost less accumulated amortisation and accumulated impairment losses. The prepaid lease are amortised over the remaining lease terms. The annual rate of amortisation is as follows:

Land use rights	–	2.5%
Prepaid leases	–	2.0% - 2.6%

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

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2A. Significant accounting policies (cont'd)

#### Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity 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. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity. An investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

#### Inventories

Inventories are measured at the lower of cost (first in first out method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

#### 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.

# Notes to the Financial Statements

31 December 2018

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2A. Significant accounting policies (cont'd)

#### Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. 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 measured, net of depreciation or amortisation, if no impairment loss had been recognised.

#### Financial instruments

Recognition and derecognition of financial instruments:

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires. At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

# Notes to the Financial Statements

31 December 2018

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2A. Significant accounting policies (cont'd)

#### Financial instruments (cont'd)

Classification and measurement of financial assets:

1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.
2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.
3. Financial asset that is an equity investment measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.
4. Financial asset classified as measured at fair value through profit or loss (FVTPL): All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Classification and measurement of financial liabilities:

Financial liabilities are classified as at fair value through profit or loss (FVTPL) in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

# Notes to the Financial Statements

31 December 2018

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2A. Significant accounting policies (cont'd)

#### Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

#### Derivative financial instruments

A derivative financial instrument is a financial instrument with all three of the following characteristics (a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices, credit ratings or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract; (b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and (c) it is settled at a future date. The derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently classified as measured at FVTPL unless the derivative is designated and effective as a hedging instrument.

#### Fair value measurement

The fair value is 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. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

# Notes to the Financial Statements

31 December 2018

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2A. Significant accounting policies (cont'd)

#### Fair value measurement (cont'd)

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

### 2B. Other explanatory information

#### Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

#### Segment reporting

The reporting entity discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

#### Classification of equity and liabilities

##### Liabilities and equity financial instruments

A financial instrument is classified as a liability or as equity in accordance with the substance of the contractual arrangement on initial recognition. Where the financial instrument does not give rise to a contractual obligation on the part of the issuer to make payment in cash or kind under conditions that are potentially unfavourable to the issuer, it is classified as an equity instrument. The equity and the liability elements of compound instruments are classified separately as equity and as a liability. Equity instruments are recorded at the amounts of the proceeds net of direct issue costs.

# Notes to the Financial Statements

31 December 2018

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2B. Other explanatory information (cont'd)

#### Classification of equity and liabilities (cont'd)

##### Convertible loan notes

Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the entity, is included in capital reserves in equity. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds. The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible loan note.

### 2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

##### Impairment assessment of property, plant and equipment and prepaid leases

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

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

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



# Notes to the Financial Statements

31 December 2018

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

#### Impairment assessment of property, plant and equipment and prepaid leases (cont'd)

During the financial year ended 31 December 2018, the Group recognised a reversal of impairment loss of RMB36,847,000 (2017: reversal of impairment loss of RMB22,962,000), and RMB Nil (2017: reversal of impairment loss of RMB5,043,000) on property, plant and equipment and prepaid leases, respectively, mainly due to capital appreciation of property market (2017: asset reconditioning via repair and maintenance). It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the specific asset or class of assets at the end of the reporting year affected by the assumption is RMB108,664,000 for property, plant and equipment and RMB 2,203,000 for prepaid leases respectively.

#### Valuation of biological assets

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

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

As at 31 December 2018, the carrying amounts of biological assets is RMB1,816,000 (2017: RMB3,234,000)

#### Determination of functional currency

Judgement is required to determine the functional currency of the reporting entity. Management considers economic environment in which the reporting entity operates and factors such as the currency that mainly influences sales prices for goods and services; the currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services; and the currency that mainly influences labour, material and other costs of providing goods or services. It also considers other relevant factors that may also provide evidence of an entity's functional currency.

#### Income tax amounts

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 (2017: RMB23,948,000).

As at 31 December 2018, the Group did not recognise deferred tax assets in relation to unutilised tax losses amounting to RMB158,103,000 (2017: RMB365,766,000) due to uncertainty over which future taxable profit will be available against which the Group can utilise such benefit.

# Notes to the Financial Statements

31 December 2018

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

#### Allowance for trade receivables

The trade receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. The allowance matrix is based on its historical observed default rates (over a period of certain months) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The loss allowance was determined accordingly. The carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the Note on trade and other receivables.

#### Useful lives of property, plant and equipment

The estimates for the useful lives and related depreciation charges for property, plant and equipment are based on commercial and other factors which could change significantly as a result of innovations and in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the specific asset or class of assets at the end of the reporting year affected by the assumption is RMB108,664,000 (2017: RMB81,868,000).

#### Measurement of impairment of subsidiary

Where an investee is in net equity deficit and or has suffered losses a test is made whether the investment in the investee has suffered any impairment loss. This measurement requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected. The carrying amount of the specific asset or liability (or class of assets or liabilities) at the end of the reporting year affected by the assumption is RMB81,494,000 (2017: RMB81,489,000).

# Notes to the Financial Statements

31 December 2018

## 3. Related party relationships and transactions

The financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

### 3A. Members of a Group:

Related companies in these financial statements include the members of the Oceanus Group Limited group of companies. Associates also include those that are associates of members of the Group.

### 3B. Related party transactions:

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and transfer of resources, services or obligations if any are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed.

The other related party transactions are not significant.

### 3C. Key management compensation:

	<u>Group</u>	
	<u>2018</u> RMB'000	<u>2017</u> RMB'000
Short-term benefits	3,567	2,582
Post-employment benefits	165	90
	<u>3,732</u>	<u>2,672</u>

The above amounts are included under employee benefits expense. Included in the above amounts are following items:

	<u>Group</u>	
	<u>2018</u> RMB'000	<u>2017</u> RMB'000
Remuneration of directors and senior management of the Company	3,261	1,935
Fees to directors of the Company	<u>306</u>	<u>647</u>

Key management personnel include the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Further information about the remuneration of individual directors is provided in the report on corporate governance.

# Notes to the Financial Statements

31 December 2018

## 3. Related party relationships and transactions (cont'd)

### 3D. Other receivables from and other payables to related parties:

The trade transactions and the related receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from and other payables to related parties are as follows:

	<u>Director</u>	
	<u>2018</u> RMB'000	<u>2017</u> RMB'000
<u>Group</u>		
<u>Other payable</u>		
Balance at beginning of the year	–	1,000
Amounts paid out and settlement of liabilities on behalf of the director	–	(1,000)
Amounts paid in and settlement of liabilities on behalf of the Group	<u>5,591</u>	<u>–</u>
Balance at end of the year (Note 26)	<u>5,591</u>	<u>–</u>

	<u>Director</u>	
	<u>2018</u> RMB'000	<u>2017</u> RMB'000
<u>Company</u>		
<u>Other payable</u>		
Balance at beginning of the year	–	1,000
Amounts paid out and settlement of liabilities on behalf of the director	–	(1,000)
Balance at end of the year (Note 26)	<u>–</u>	<u>–</u>

	<u>Subsidiaries</u>	
	<u>2018</u> RMB'000	<u>2017</u> RMB'000
<u>Company</u>		
<u>Other receivables</u>		
Balance at beginning of the year	1,142,928	1,105,388
Amounts paid out and settlement of liabilities on behalf of the subsidiaries	<u>56,606</u>	<u>37,540</u>
Balance at end of the year (Note 19)	<u>1,199,534</u>	<u>1,142,928</u>
<i>Movement in allowance</i>		
Balance at beginning of the year	(1,133,021)	(1,095,913)
Charge for other receivables to profit or loss included in other expenses	(20,243)	(20,903)
Foreign exchange differences	<u>(40,940)</u>	<u>(16,205)</u>
Balance at end of the year (Note 19)	<u>(1,194,204)</u>	<u>(1,133,021)</u>

# Notes to the Financial Statements

31 December 2018

## 3. Related party relationships and transactions (cont'd)

### 3D. Other receivables from and other payables to related parties: (cont'd)

	<u>Subsidiaries</u>	
	<u>2018</u> RMB'000	<u>2017</u> RMB'000
<u>Company</u>		
<u>Other payables</u>		
Balance at beginning of the year	102,489	1,900
Amounts paid in and settlement of liabilities on behalf of the Company	3,707	100,589
Balance at end of the year (Note 26)	<u>106,196</u>	<u>102,489</u>

## 4. Financial information by operating segments

### 4A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by the financial reporting standard on operating segments. This disclosure standard has no impact on the reported financial performance or financial position of the reporting entity.

For management purposes the reporting entity is organised into the following major strategic operating segments that offer different products and services: (i) live marine products, (ii) trading, (iii) consultancy and (iv) others. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

The segments and the types of products and services are as follows

- (i) Live marine products segment is those cultivation and sale of abalone and others.
- (ii) Trading segment is those sales of processed marine products.
- (iii) Consultancy segment is those consultancy services related to fish farming and acquiring technologies for aquaculture and fishery business.
- (iv) Other segment is those corporate office function and investment holdings.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the reporting entity are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the significant accounting policies.

The discontinued operations relate to the ceased operation segment of food and beverage and processed marine products, as disclosed in Note 28 to the financial statements.

# Notes to the Financial Statements

31 December 2018

## 4. Financial information by operating segments (cont'd)

### 4A. Information about reportable segment profit or loss, assets and liabilities (cont'd)

The management reporting system evaluates performances based on a number of factors. However the primary profitability measurement to evaluate segment's operating results is earnings from operations before depreciation, amortisation, interests and income taxes (called "Segment results").

### 4B. Profit or loss from continuing operations and reconciliations

	Live marine products RMB'000	Trading RMB'000	Others RMB'000	Consultancy RMB'000	Total continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
<b>2018</b>							
<b>Revenue by segments</b>							
Total revenue	16,311	2,122	–	2,584	21,017	–	21,017
<b>Results</b>							
Segment results	42,677	(7,324)	15,569	182	51,104	1,762	52,866
Foreign exchange gain	(4,429)	754	11,835	–	8,160	–	8,160
Depreciation and amortisation expense	(11,865)	(280)	(24)	–	(12,169)	–	(12,169)
Profit before income tax					47,095	1,762	48,857
Income tax expense					–	–	–
Profit for the year					47,095	1,762	48,857

# Notes to the Financial Statements

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	Live marine products RMB'000	Trading RMB'000	Others RMB'000	Consultancy RMB'000	Total continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
<b>4. Financial information by operating segments (cont'd)</b>							
<b>4B. Profit or loss from continuing operations and reconciliations (cont'd)</b>							
<b>2018</b>							
<b>Other information</b>							
Gain arising from changes in fair value less costs to sell biological assets	14,386	—	—	—	14,386	—	14,386
Acquisition of property, plant and equipment	(3,237)	(249)	(313)	—	(3,799)	—	(3,799)
Depreciation of property, plant and equipment	(11,663)	(280)	(24)	—	(11,967)	—	(11,967)
Gain on disposal of property, plant and equipment	9,343	—	—	—	9,343	—	9,343
Amortisation of prepaid leases	(202)	—	—	—	(202)	—	(202)
Reversal of impairment loss on investment	—	—	17,066	—	17,066	—	17,066
Reversal of impairment loss on property, plant and equipment	36,847	—	—	—	36,847	—	36,847
Loss on disposal of prepaid leases	(3,613)	—	—	—	(3,613)	—	(3,613)
Rental income	628	—	—	—	628	—	628
Interest income	32	—	134	—	166	1,947	2,113
Sundry income	(790)	—	506	6	(278)	190	(88)

# Notes to the Financial Statements

31 December 2018

## 4. Financial information by operating segments (cont'd)

### 4B. Profit or loss from continuing operations and reconciliations (cont'd)

	Live marine products RMB'000	Trading RMB'000	Others RMB'000	Consultancy RMB'000	Total continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
<b>2017</b>							
<b>Revenue by segments</b>							
Total revenue	17,629	2,501	–	615	20,745	–	20,745
<b>Results</b>							
Segment results	99,914	(10,832)	142,301	(160)	231,223	(298)	230,925
Foreign exchange loss	(1,589)	(144)	(22,030)	–	(23,763)	(3)	(23,766)
Finance costs	–	–	(17,821)	–	(17,821)	–	(17,821)
Profit before income tax					189,639	(301)	189,338
Income tax expense					–	–	–
Profit for the year					189,639	(301)	189,338



# Notes to the Financial Statements

31 December 2018

## 4. Financial information by operating segments (cont'd)

### 4B. Profit or loss from continuing operations and reconciliations (cont'd)

	Live marine products RMB'000	Trading RMB'000	Others RMB'000	Consultancy RMB'000	Total continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
<b>2017</b>							
<b>Other information</b>							
Gain arising from changes in fair value less costs to sell biological assets	8,062	-	-	-	8,062	-	8,062
Acquisition of property, plant and equipment	(4,541)	(122)	-	-	(4,663)	-	(4,663)
Depreciation of property, plant and equipment	(14,458)	(240)	-	-	(14,698)	-	(14,698)
Gain on disposal of property, plant and equipment	89,157	-	-	-	89,157	-	89,157
Reversal of impairment loss on property, plant and equipment	22,962	-	-	-	22,962	-	22,962
Amortisation of prepaid leases	(28)	-	-	-	(28)	-	(28)
Reversal of/(impairment loss) on prepaid leases	5,043	-	-	-	5,043	-	5,043
Gain on disposal of prepaid leases	4,361	-	-	-	4,361	-	4,361
Impairment loss on other investment	-	-	(17,066)	-	(17,066)	-	(17,066)
Bad debts on other receivables written back	8,450	-	-	-	8,450	-	8,450
Gain on redemption of convertible loans	-	-	179,517	-	179,517	-	179,517
Rental income	1,400	-	-	-	1,400	-	1,400
Interest income	481	4	40	-	525	10	535
Sundry income	-	97	6	-	103	-	103

# Notes to the Financial Statements

31 December 2018

## 4. Financial information by operating segments (cont'd)

### 4C. Assets and liabilities

	Live marine products RMB'000	Trading RMB'000	Others RMB'000	Consultancy RMB'000	Discontinued operations RMB'000	Inter- segment eliminations RMB'000	Total RMB'000
<b>2018</b>							
<b>Assets</b>							
Segment assets	181,598	16,413	196,133	1,817	7,102	(178,594)	224,469
<b>Liabilities</b>							
Segment liabilities	490,494	166,348	1,159,915	1,536	155,834	(1,887,607)	86,520
<b>2017</b>							
<b>Assets</b>							
Segment assets	168,684	6,302	91,664	497	5,306	(58,018)	214,435
<b>Liabilities</b>							
Segment liabilities	570,996	145,329	1,115,634	649	94,492	(1,824,205)	102,895

# Notes to the Financial Statements

31 December 2018

## 4. Financial information by operating segments (cont'd)

### 4D. Geographical information

The following table provides an analysis of the Group revenue by geographical market irrespective of the origin of the goods and services and non-current assets by geographical market:-

	Revenue		<u>Group</u> Non-current assets	
	2018 RMB'000	2017 RMB'000	31 December 2018 RMB'000	31 December 2017 RMB'000
PRC	16,311	17,629	118,353	87,232
Singapore	4,706	3,116	698	427
	<u>21,017</u>	<u>20,745</u>	<u>119,051</u>	<u>87,659</u>

### 4E. Information about major customers

The following table provides information on revenue from external customers or Group of customers who accounted for 10% or more of the Group's revenue:-

	Group	
	2018 RMB'000	2017 RMB'000
Customer A	4,054	7,402
Customer B	3,693	2,304
	<u>7,747</u>	<u>9,706</u>

# Notes to the Financial Statements

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## 5. Revenue

	<u>Group</u>	
	<u>2018</u> RMB'000	<u>2017</u> RMB'000
Revenue from contracts with customers		
- Sales of live marine products	16,311	17,629
- Sales of processed marine products	2,122	2,501
- Consultancy services	2,584	615
	<u>21,017</u>	<u>20,745</u>

The revenue is from sales of goods and services. All the contracts are less than 12 months.

The revenue from sale of goods is recognised based on point in time.

The revenue from services of approximately RMB1,972,000 is recognised based on point in time and the balance is over time. The contract vary from a few days to 12 months.

## 6. Other operating income and expenses

### 6A. Other operating income

	<u>Continuing operations</u>		<u>Group Discontinued operations</u>		<u>Total</u>	
	<u>2018</u> RMB'000	<u>2017</u> RMB'000	<u>2018</u> RMB'000	<u>2017</u> RMB'000	<u>2018</u> RMB'000	<u>2017</u> RMB'000
Rental income	628	1,400	-	-	628	1,400
Interest income	166	525	1,947	10	2,113	535
Government grants	424	3	-	-	424	3
Gain on redemption of convertible loans	-	179,517	-	-	-	179,517
Gain on disposal of property, plant and equipment	9,343	89,157	-	-	9,343	89,157
Gain on disposal of prepaid leases	-	4,361	-	-	-	4,361
Bad debt on other receivables written back	-	8,450	-	-	-	8,450
Foreign exchange adjustments gain	8,160	-	-	-	8,160	-
Reversal of impairment loss on prepaid leases	-	5,043	-	-	-	5,043
Reversal of impairment loss on property, plant and equipment	36,847	22,962	-	-	36,847	22,962
Trade and other payables written back	8,002	-	19	-	8,021	-
Sundry income	(278)	103	190	-	(88)	103
Net	<u>63,292</u>	<u>311,521</u>	<u>2,156</u>	<u>10</u>	<u>65,448</u>	<u>311,531</u>

# Notes to the Financial Statements

31 December 2018

## 6. Other operating income and expenses (cont'd)

### 6B. Other operating expenses

	Continuing operations		Group Discontinued operations		Total	
	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Allowance for impairment on other receivables	8,450	–	–	–	8,450	–
Annual listing fees	328	340	–	–	328	340
Annual report fees	517	1,023	–	–	517	1,023
Asset decommissioning costs	6,995	20,076	–	–	6,995	20,076
Consultancy project fee	22	–	–	–	22	–
Electricity, fuel and water	964	1,388	–	–	964	1,388
Foreign exchange adjustments loss	–	23,766	392	3	392	23,769
Insurance expenses	70	–	–	–	70	–
Loss on disposal of prepaid lease	3,613	–	–	–	3,613	–
Marketing and promotion	931	–	–	–	931	–
Operating lease expenses	558	–	–	–	558	–
Professional fees	4,285	12,062	–	304	4,285	12,366
Relocation costs	–	5,047	–	–	–	5,047
Repair and maintenance	2,088	9,067	–	–	2,088	9,067
(Reversal of)/impairment loss on other investment	(17,066)	17,066	–	–	(17,066)	17,066
Travelling expenses	698	–	–	–	698	–
Others	514	1,622	2	4	516	1,626
	<u>12,967</u>	<u>91,457</u>	<u>394</u>	<u>311</u>	<u>13,361</u>	<u>91,768</u>

## 7. Finance costs

	Continuing operations		Group Discontinued operations		Total	
	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest on convertible loans	–	17,726	–	–	–	17,726
Loans from shareholders	–	95	–	–	–	95
	<u>–</u>	<u>17,821</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>17,821</u>

# Notes to the Financial Statements

31 December 2018

## 8. Employee benefits expense

	Continuing operations		Group Discontinued operations		Total	
	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Employee benefit expenses:						
- Directors' fees	306	647	-	-	306	647
- Directors' salary of the Company	2,199	1,815	-	-	2,199	1,815
- Salary of employees other than directors	4,488	5,801	-	-	4,488	5,801
- Defined contribution plans included in staff costs	1,233	361	-	-	1,233	361
- Other staff welfare	70	486	-	-	70	486
- Capitalisation of employee benefits expenses	-	(2,410)	-	-	-	(2,410)
	<u>8,296</u>	<u>6,700</u>	<u>-</u>	<u>-</u>	<u>8,296</u>	<u>6,700</u>

## 9. Items in the profit or loss

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, this item includes the following charges:

	Continuing operations		Group Discontinued operations		Total	
	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Audit fee to auditors of the Company	637	635	-	-	637	635
Audit fee to other auditors	18	-	-	-	18	-
Non-audit fees paid to the auditors of the Company	88	319	-	-	88	319
	<u>743</u>	<u>954</u>	<u>-</u>	<u>-</u>	<u>743</u>	<u>954</u>

# Notes to the Financial Statements

31 December 2018

## 10. Income tax

### 10A. Components of tax expense/(income) recognised in profit or loss include:

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17.0% (2017: 17.0%) to profit or loss before income tax as a result of the following differences:

	<u>2018</u> RMB'000	<u>Group</u> <u>2017</u> RMB'000
Profit/(loss) before tax		
- Continuing operation	47,095	189,639
- Discontinued operations	1,762	(301)
	<u>48,857</u>	<u>189,338</u>
Income tax expense at the above rate	8,306	32,187
Expenses not deductible for tax purposes	4,072	5,174
Income not subject to tax	(11,032)	(61,739)
Effect of different tax rate in different jurisdictions	5,858	13,417
Movement of deferred tax assets not recognised	(7,204)	10,961
Total income tax expense	<u>-</u>	<u>-</u>

There are no income tax consequences of dividends to owners of the Company.

### 10B. Deferred tax assets/liabilities in statements of financial position:

The Group has unutilised tax losses as follows:

	<u>2018</u> RMB'000	<u>Group</u> <u>2017</u> RMB'000
Unutilised tax losses	<u>158,103</u>	<u>365,766</u>

For the People's Republic of China, the realisation of the future income tax benefits from tax loss carryforwards is available for a period of 5 years subject to the conditions imposed by law.

For the China companies, the expiry dates of tax losses carryforward are as follows:

	<u>2018</u> RMB'000	<u>Group</u> <u>2017</u> RMB'000
2018	-	178,849
2019	59,819	88,633
2020	14,240	14,240
2021	40,200	40,200
2022	43,844	43,844
	<u>158,103</u>	<u>365,766</u>

No deferred tax asset for the tax losses (including deductible temporary differences, unused tax losses and unused tax credits) has been recognised in respect of the remaining for the above balance, as the future profit streams are not probable against which the deductible temporary difference can be utilised.

# Notes to the Financial Statements

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## 11. Property, plant and equipment

	Group							Total RMB'000
	Buildings and farm structures RMB'000	Leasehold improvement RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Vehicles RMB'000	Assets under construction RMB'000		
<u>Cost:</u>								
At 1 January 2017	723,239	4,189	101,432	2,418	398	32,379	864,055	
Additions	4,188	13	30	230	202	—	4,663	
Disposals	(282,923)	—	(55,986)	(803)	(357)	—	(340,069)	
At 31 December 2017	444,504	4,202	45,476	1,845	243	32,379	528,649	
Additions	2,532	82	602	583	—	—	3,799	
Disposals	(144,053)	(2,636)	(1,370)	(177)	—	—	(148,236)	
At 31 December 2018	302,983	1,648	44,708	2,251	243	32,379	384,212	
<u>Accumulated depreciation:</u>								
At 1 January 2017	320,253	2,156	71,185	1,574	84	—	395,252	
Depreciation for the year	14,037	223	1,924	30	19	—	16,233	
Disposals	(157,678)	—	(52,607)	(692)	(61)	—	(211,038)	
At 31 December 2017	176,612	2,379	20,502	912	42	—	200,447	
Depreciation for the year	10,898	248	695	96	30	—	11,967	
Disposals	(55,015)	(1,594)	(508)	(198)	—	—	(57,315)	
At 31 December 2018	132,495	1,033	20,689	810	72	—	155,099	
<u>Accumulated impairment:</u>								
At 1 January 2017	254,254	1,503	25,070	784	168	32,379	314,158	
Reversal of impairment loss for the year	(17,237)	—	(5,678)	(47)	—	—	(22,962)	
Disposals	(43,591)	—	(1,052)	(51)	(168)	—	(44,862)	
At 31 December 2017	193,426	1,503	18,340	686	—	32,379	246,334	
(Reversal)/Addition of impairment loss for the year	(37,011)	(1,057)	951	99	171	—	(36,847)	
Disposals	(89,038)	—	—	—	—	—	(89,038)	
At 31 December 2018	67,377	446	19,291	785	171	32,379	120,449	
<u>Carrying value:</u>								
At 1 January 2017	148,732	530	5,177	60	146	—	154,645	
At 31 December 2017	74,466	320	6,634	247	201	—	81,868	
At 31 December 2018	103,111	169	4,728	656	—	—	108,664	



# Notes to the Financial Statements

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## 11. Property, plant and equipment (cont'd)

	<u>Company Office equipment</u> RMB'000
<u>Cost:</u>	
At 1 January 2017 and 31 December 2017	–
Additions	311
At 31 December 2018	<u>311</u>
<u>Accumulated depreciation:</u>	
At 1 January 2017 and 31 December 2017	–
Depreciation for the year	23
At 31 December 2018	<u>23</u>
<u>Carrying value:</u>	
At 1 January 2017 and 31 December 2017	–
At 31 December 2018	<u>288</u>

### 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).

During the financial year ended 31 December 2018, the Group recognised a reversal of impairment loss of RMB36,847,000 (2017: RMB22,962,000) on property, plant and equipment mainly due to capital appreciation of property market (2017: asset reconditioning via repair and maintenance).

# Notes to the Financial Statements

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## 12. Goodwill

	<u>31 December</u> <u>2018</u> RMB'000	<u>Group</u> <u>31 December</u> <u>2017</u> RMB'000	<u>1 January</u> <u>2017</u> RMB'000
<u>Cost</u>			
At beginning of year	–	–	–
Arising from acquiring of a subsidiary (note 32)	3,368	–	–
At end of year	<u>3,368</u>	<u>–</u>	<u>–</u>

Goodwill is allocated to cash-generating units for the purpose of impairment testing and is represented by the subsidiary acquired during the year, Alps Group Pte. Ltd (See Note 32).

## 13. Investment in subsidiaries

	<u>31 December</u> <u>2018</u> RMB'000	<u>Company</u> <u>31 December</u> <u>2017</u> RMB'000	<u>1 January</u> <u>2017</u> RMB'000
Movements during the year:			
At the beginning of the year	1,405,048	1,405,042	1,405,042
Acquisitions	5	6	–
Allowance for impairment	(1,323,559)	(1,323,559)	(1,247,483)
At the end of the year	<u>81,494</u>	<u>81,489</u>	<u>157,559</u>
Movements in allowance for impairment:			
At the beginning of the year	1,323,559	1,247,483	1,229,559
Amount recognised during the year	–	76,076	17,924
At the end of the year	<u>1,323,559</u>	<u>1,323,559</u>	<u>1,247,483</u>
Total cost comprising:			
Unquoted equity shares at cost	1,405,053	1,405,048	1,405,042
Allowance for impairment	(1,323,559)	(1,323,559)	(1,247,483)
Total at cost	<u>81,494</u>	<u>81,489</u>	<u>157,559</u>

# Notes to the Financial Statements

31 December 2018

## 13. Investment in subsidiaries (cont'd)

The subsidiaries held by the Company are listed below:

Name of subsidiaries,  
country of incorporation,  
place of operations,  
principal activities  
(and independent auditors)

	Cost of investment			Effective percentage of equity held		
	31 December	31 December	1 January	31 December	31 December	1 January
	2018	2017	2017	2018	2017	2017
	RMB'000	RMB'000	RMB'000	%	%	%
<b>Held by the Company</b>						
Oceanus Aquaculture Group Pte. Ltd. <sup>(a)</sup>	1,391,067	1,391,067	1,391,067	100	100	100
Singapore Investment holding						
Oceanus Food Group Pte. Ltd. <sup>(a)</sup>	13,688	13,688	13,688	100	100	100
Singapore Investment holding and trading of canned abalone						
Oceanus Food Group Limited <sup>(d)</sup>	287	287	287	100	100	100
Hong Kong Investment holding						
Oceanus Tech Pte Ltd <sup>(a)</sup>	6	6	–	100	100	–
Singapore Operation of fish hatcheries, fish farms and fishery research services						
Oceanus Investment Holdings Pte. Ltd. <sup>(a) (e)</sup>	5	–	–	100	–	–
Singapore Investment holding						
	<u>1,405,053</u>	<u>1,405,048</u>	<u>1,405,042</u>			
<b>Subsidiary held through Oceanus Aquaculture Group Pte. Ltd.</b>						
Oceanus (China) Aquaculture Co., Ltd <sup>(b)</sup>				100	100	100
欧胜 (中国) 养殖有限公司 People's Republic of China Aquaculture production and abalone farming and sale of products						
<b>Subsidiaries held through Oceanus Food Group Limited</b>						
Zhangzhou Oceanus Food Co., Ltd <sup>(d)</sup>				100	100	100
漳州欧圣食品有限公司 People's Republic of China Inactive						

# Notes to the Financial Statements

31 December 2018

## 13. Investment in subsidiaries (cont'd)

Name of subsidiaries,  
country of incorporation,  
place of operations,  
principal activities  
(and independent auditors)

Effective percentage of equity held  
31 December 31 December 1 January  
2018 2017 2017  
% % %

### Subsidiaries held through Oceanus Food Group Pte. Ltd.

Oceanus Australia Abalone  
World (S) Pte Ltd <sup>(f)</sup>  
Singapore  
Trading abalone products

60 60 –

Oceanus (Shanghai)  
Restaurant Management  
Co., Ltd <sup>(d)</sup>  
欧圣(上海)餐饮管理有限公司  
People's Republic of China  
Inactive

100 100 100

Oceanus Food (Hong  
Kong) Company Limited  
<sup>(c)</sup>

– 100 100

Hong Kong  
Inactive

Oceanus (Singapore)  
Restaurant Management  
Pte. Ltd. <sup>(a)</sup>  
Singapore  
Inactive

100 100 100

Oceanus (Taiwan)  
Restaurant Limited  
Company <sup>(d)</sup>  
Taiwan  
Inactive

100 100 100

### Subsidiary held through Oceanus (China) Aquaculture Co., Ltd.

Xiamen Oceanus Import  
and Export Ltd <sup>(b)</sup>  
厦门欧圣进出口有限公司  
People's Republic of  
China  
Trading and distribution

75 75 –

# Notes to the Financial Statements

31 December 2018

## 13. Investment in subsidiaries (cont'd)

Name of subsidiaries, country of incorporation, place of operations, principal activities (and independent auditors)	Effective percentage of equity held		
	31 December	31 December	1 January
	2018	2017	2017
	%	%	%
<b>Subsidiary held through Oceanus (Shanghai) Restaurant Management Co., Ltd</b> Shanghai Oceanus Wujiang Road Restaurant Co., Ltd <sup>(d)</sup> 上海欧圣吴江路餐饮有限公 司 People's Republic of China Inactive	100	100	100
<b>Subsidiary held through Oceanus Investment Holdings Pte. Ltd.</b> Capy Comm Pte. Ltd. <sup>(a) (e)</sup> Singapore Advertising	51	—	—
Alps Group Pte. Ltd. <sup>(a)</sup> Singapore Wholesales of paper products	51	—	—

(a) Audited by RSM Chio Lim LLP, Singapore.

(b) Audited by SBA Stone Forest CPA Co., Ltd, an affiliated firm of RSM Chio Lim in the PRC, for consolidation purposes.

(c) The subsidiary has been struck off during the year.

(d) Not audited as it is immaterial. The subsidiary has ceased operation and is in the process of liquidation and deregistration.

(e) Incorporated during the current reporting year.

(f) The subsidiary has been struck off after year end.

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

# Notes to the Financial Statements

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## 14. Other receivable, non-current

	<u>Group and Company</u>		
	<u>31 December</u>	<u>31 December</u>	<u>1 January</u>
	<u>2018</u>	<u>2017</u>	<u>2017</u>
	RMB'000	RMB'000	RMB'000
Convertible loan receivable	<u>5,043</u>	<u>–</u>	<u>–</u>

During the financial year ended 31 December 2018, the Group entered a convertible loan agreement with a third party. The agreement for the loan receivable provides that it is with fixed interest of 10 % per year and is repayable in February 2020. The loan is carried at amortised cost using the effective interest method over 1.5 years. The fair value is measured using the market value approach method by applying a median P/B ratio of 0.78x by comparing with comparable companies. The carrying amount is a reasonable approximation of fair value (Level 3).

## 15. Other financial assets

	<u>Group and Company</u>		
	<u>31 December</u>	<u>31 December</u>	<u>1 January</u>
	<u>2018</u>	<u>2017</u>	<u>2017</u>
	RMB'000	RMB'000	RMB'000
Unquoted equity shares, at cost			
At 1 January	17,066	–	–
Addition	–	17,066	–
Disposals	(17,066)	–	–
At 31 December	<u>–</u>	<u>17,066</u>	<u>–</u>
Less: Accumulated impairment loss			
At 1 January	(17,066)	–	–
Amount recognised during the year	–	(17,066)	–
Disposals	17,066	–	–
At 31 December	<u>–</u>	<u>(17,066)</u>	<u>–</u>
	<u>–</u>	<u>–</u>	<u>–</u>

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

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

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

# Notes to the Financial Statements

31 December 2018

## 15. Other financial assets (cont'd)

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

During 2017, the Company received letters from the vendors of the Investee's shares ("Vendors"), alleging the acquisition as void and demanding a re-transfer of the shares of the Investee. In the financial year ended 31 December 2018, the company entered into a settlement agreement with, amongst others, the Vendors, to terminate all agreements in connection with the acquisition and unwind all transactions performed in relation to the acquisition. The Company disposed its 60% equity interest in the investee during the financial year ended 31 December 2018 for a consideration of RMB17,066,000 previously paid by a shareholder with his shares in the Company.

## 16. Other assets, non-current

	Land use rights RMB'000	Group Prepayment for lease of land RMB'000	Total RMB'000
At 1 January 2017	4,965	1,218	6,183
Amortisation for the year	(4)	(24)	(28)
Disposals	(4,842)	(338)	(5,180)
Reversal of impairment loss for the year	117	4,926	5,043
At 31 December 2017	236	5,782	6,018
Amortisation for the year	(4)	(198)	(202)
Disposals	-	(3,613)	(3,613)
At 31 December 2018	232	1,971	2,203
Represented by:			
Cost of acquisition	276	2,144	2,420
Amortisation allowance	(44)	(173)	(217)
	232	1,971	2,203
		Group	
	31 December	31 December	1 January
	2018	2017	2017
	RMB'000	RMB'000	RMB'000
Non-current portion	1,976	5,791	6,007
Current portion (note 20)	227	227	176
Total	2,203	6,018	6,183

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

During the financial year ended 31 December 2017, the Group recognised a reversal of impairment loss of RMB5,043,000 on prepaid leases mainly due to asset reconditioning via repair and maintenance.

# Notes to the Financial Statements

31 December 2018

## 16. Other assets, non-current (cont'd)

Detail of the Group's land use rights:

<u>Address</u>	<u>Land Area (Sq m)</u>	<u>Date of Grant</u>	<u>Lease Expiry Date</u>
Zanei Village, Fotan Town, Zhangpu County, Longhai City	2,387	15 January 2007	14 January 2047

Detail of the Group's prepaid leases:

<u>Address</u>	<u>Land Area (Sq m)</u>	<u>Lease Commencement Date</u>	<u>Lease Expiry Date</u>
Zanei Village, Fotan Town, Zhangpu County, Longhai City	325,496	1 July 2008	30 September 2046
Houxu Village, Fotan Town, Zhangpu County, Longhai City	32,016	1 July 2008	30 August 2047
Shahuang Village, Fotan Town, Zhangpu County, Longhai City	21,344	1 May 2000	30 April 2050
Fotan Town, Zhangpu County, Longhai City	16,008	27 March 2010	28 August 2050
Shannan Village, Chencheng Town, Dongshan County, Zhangzhou City	5,336	2 September 2007	23 April 2034

## 17. Biological assets

	<u>31 December 2018</u>	<u>Group 31 December 2017</u>	<u>1 January 2017</u>
	RMB'000	RMB'000	RMB'000
Abalone	<u>1,816</u>	<u>3,234</u>	<u>6,404</u>
<u>Movement in fair value</u>			
At beginning of year	3,234	6,404	2,418
Additions	507	278	364
Disposal	(16,311)	(11,510)	5,376
Increase/(decrease) in fair value costs to sell	<u>14,386</u>	<u>8,062</u>	<u>(1,754)</u>
At end of year	<u>1,816</u>	<u>3,234</u>	<u>6,404</u>

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

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



# Notes to the Financial Statements

31 December 2018

## 18. Inventories

	<u>31 December</u> <u>2018</u> RMB'000	<u>Group</u> <u>31 December</u> <u>2017</u> RMB'000	<u>1 January</u> <u>2017</u> RMB'000
Inventories, at cost	3,315	86	180
The amount of inventories included in cost of sales	1,870	2,359	4,313

## 19. Trade and other receivables, current

	<u>31 December</u> <u>2018</u> RMB'000	<u>Group</u> <u>31 December</u> <u>2017</u> RMB'000	<u>1 January</u> <u>2017</u> RMB'000
<u>Trade receivables:</u>			
Outside parties	67,840	65,652	65,663
Less: Allowance for impairment	(65,652)	(65,652)	(65,652)
Net trade receivables – subtotal	2,188	–	11
<u>Other receivables:</u>			
Outside parties	8,477	8,957	6,119
Less: Allowance for impairment	(8,450)	–	(1,401)
Deposits	391	97	95
Net other receivables – subtotal	418	9,054	4,813
Total trade and other receivables	2,606	9,054	4,824
	<u>31 December</u> <u>2018</u> RMB'000	<u>Group</u> <u>31 December</u> <u>2017</u> RMB'000	<u>1 January</u> <u>2017</u> RMB'000
Movements in above allowance on trade receivables:			
At beginning and end of the year	(65,652)	(65,652)	(65,652)
Movements in above allowance on other receivables:			
At beginning of the year	–	(1,401)	(18,062)
Charge for other receivables to profit or loss included in other operating expenses	(8,450)	–	(44)
Bad debts written off	–	1,401	16,705
At end of the year	(8,450)	–	(1,401)

# Notes to the Financial Statements

31 December 2018

## 19. Trade and other receivables (cont'd)

	<u>31 December</u> <u>2018</u> RMB'000	<u>Company</u> <u>31 December</u> <u>2017</u> RMB'000	<u>1 January</u> <u>2017</u> RMB'000
<u>Other receivables:</u>			
Subsidiaries (Note 3)	1,199,534	1,142,928	1,105,388
Less: Allowance for impairment	(1,194,204)	(1,133,021)	(1,095,913)
Outside parties	–	–	4,371
Net other receivables – subtotal	<u>5,330</u>	<u>9,907</u>	<u>13,846</u>
	<u>31 December</u> <u>2018</u> RMB'000	<u>Company</u> <u>31 December</u> <u>2017</u> RMB'000	<u>1 January</u> <u>2017</u> RMB'000
Movements in above allowance on other receivables:			
At beginning of the year	(1,133,021)	(1,095,913)	(1,050,212)
Charge for other receivables to profit or loss included in other operating expenses	(20,243)	(20,903)	(770)
Reversed for other receivables to profit or loss included in other operating income	–	–	2,953
Foreign exchange differences	(40,940)	(16,205)	(47,884)
At end of the year	<u>(1,194,204)</u>	<u>(1,133,021)</u>	<u>(1,095,913)</u>

The trade receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. The methodology applied for impairment loss is the simplified approach to measuring expected credit losses (“ECL”) which uses a lifetime expected loss allowance for all trade receivables. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. The allowance matrix is based on its historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. A loss allowance balance of RMB65,652,000 is recognised (2017: RMB65,652,000) for the group.

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor’s credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

The other receivables at amortised cost are subject to the expected credit loss model under the financial reporting standard on financial instruments. The other receivables at amortised cost and which can be graded as low risk individually are considered to have low credit risk. At the end of the first reporting period, a loss allowance is recognised at an amount equal to 12 month expected credit losses because there has not been a significant increase in credit risk since initial recognition. A loss allowance balance of RMB8,450,000 (2017: Nil) for the Group and RMB1,194,204,000 (2017: RMB1,133,021,000) for the Company is recognised respectively.

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor’s credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

# Notes to the Financial Statements

31 December 2018

## 20. Other assets, current

	<u>31 December</u> <u>2018</u> RMB'000	<u>Group</u> <u>31 December</u> <u>2017</u> RMB'000	<u>1 January</u> <u>2017</u> RMB'000
Prepaid lease – current portion (note 16)	227	227	176
Prepayments	1,087	11	36
	<u>1,314</u>	<u>238</u>	<u>212</u>

	<u>31 December</u> <u>2018</u> RMB'000	<u>Company</u> <u>31 December</u> <u>2017</u> RMB'000	<u>1 January</u> <u>2017</u> RMB'000
Prepayments	79	–	–

## 21. Cash and cash equivalents

	<u>31 December</u> <u>2018</u> RMB'000	<u>Group</u> <u>31 December</u> <u>2017</u> RMB'000	<u>1 January</u> <u>2017</u> RMB'000
Not restricted in use	96,367	114,164	9,545

	<u>31 December</u> <u>2018</u> RMB'000	<u>Company</u> <u>31 December</u> <u>2017</u> RMB'000	<u>1 January</u> <u>2017</u> RMB'000
Not restricted in use	16,382	38,495	3,170

As at 31 December 2018, the Group had cash and bank balances of RMB70,375,000 (2017: RMB70,827,000) 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.

## 21A. Reconciliation of liabilities arising from financing activities

There are no reconciliation amounts for the non-cash changes in liabilities arising from financing activities.

# Notes to the Financial Statements

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## 22. Share capital

	<u>Company</u> <u>Number</u> <u>of shares issued</u>	<u>Share</u> <u>capital</u> RMB'000
Ordinary shares of no par value:		
At beginning of the year 1 January 2017	4,566,852,832	2,413,255
Issue of shares	<u>19,730,068,631</u>	<u>380,812</u>
At end of the year 31 December 2017 and 31 December 2018	<u>24,296,921,463</u>	<u>2,794,067</u>

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The Company is not subject to any externally imposed capital requirements.

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

- (i) 1,215,189,874 new ordinary shares for settlement of loans of RMB23,414,634 from investors (the "Investors");
- (ii) 8,394,946,406 new ordinary shares to the Investors for settlement of a portion of the convertible loans (Note 25), third party loans, outstanding directors' fees and professional fees payable from the Company amounting to RMB155,476,024, RMB5,853,659, RMB282,215 and RMB144,380, respectively;
- (iii) 9,277,821,684 new ordinary shares for settlement of RMB177,330,137 of the convertible loans (Note 25);
- (iv) 173,748,871 new ordinary shares to current and former directors of the Company for settlement of the directors' fees of RMB3,347,844; and
- (v) 621,124,017 new ordinary shares to a vendor for settlement of outstanding fees of RMB11,967,999.

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

### Capital management:

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt / adjusted capital. Net debt is calculated as total borrowings less cash and cash equivalents.

There are no significant external borrowings. The debt-to-adjusted capital ratio therefore does not provide a meaningful indicator of the risk of borrowings.

# Notes to the Financial Statements

31 December 2018

## 23. Reserves

	<u>31 December</u> <u>2018</u> RMB'000	<u>Group</u> <u>31 December</u> <u>2017</u> RMB'000	<u>1 January</u> <u>2017</u> RMB'000
Capital reserve	(1,137,504)	(1,120,438)	(1,137,504)
Convertible loans reserve	–	–	101,651
Currency translation reserve	6,089	13,294	(994)
Statutory reserve	39,262	39,262	39,262
Accumulated losses	<u>(1,566,692)</u>	<u>(1,615,474)</u>	<u>(1,906,468)</u>
	<u>(2,658,845)</u>	<u>(2,683,356)</u>	<u>(2,904,053)</u>

	<u>31 December</u> <u>2018</u> RMB'000	<u>Company</u> <u>31 December</u> <u>2017</u> RMB'000	<u>1 January</u> <u>2017</u> RMB'000
Capital reserve	11,229	28,295	11,229
Convertible loans reserve	–	–	101,651
Currency translation reserve	(9,212)	(6,215)	1,852
Accumulated losses	<u>(2,804,507)</u>	<u>(2,800,196)</u>	<u>(2,947,090)</u>
	<u>(2,802,490)</u>	<u>(2,778,116)</u>	<u>(2,832,358)</u>

Movement of reserves are disclosed in the statement of changes in equity.

### Capital reserve – non-distributable

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

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

### Convertible loans reserve – non-distributable

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

### Currency translation reserve – non-distributable

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 – non-distributable

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.

# Notes to the Financial Statements

31 December 2018

## 24. Borrowings

	<u>Group and Company</u>		
	<u>31 December</u>	<u>31 December</u>	<u>1 January</u>
	<u>2018</u>	<u>2017</u>	<u>2017</u>
	RMB'000	RMB'000	RMB'000
<b>Non-current</b>			
Shareholders (unsecured) <sup>(a)</sup>	–	–	1,894
Outside parties			
- secured <sup>(b)</sup>	–	–	959
- unsecured <sup>(c)</sup>	–	–	4,796
<b>Total non-current borrowings</b>	<u>–</u>	<u>–</u>	<u>7,649</u>
<b>Current</b>			
Outside parties			
- secured <sup>(b)</sup>	–	–	1,878
- unsecured <sup>(c)</sup>	3,395	3,384	6,438
<b>Total current borrowings</b>	<u>3,395</u>	<u>3,384</u>	<u>8,316</u>
<b>Total borrowings</b>	<u>3,395</u>	<u>3,384</u>	<u>15,965</u>

(a) As at 31 December 2016, the loans from shareholders bore interest at 5% per annum, and were unsecured and repayable by 2 September 2020. The loan was repaid in 2017.

(b) As at 31 December 2016, the loans from outside parties were interest-free and secured by all fixed assets of a farm. The loans were repaid in 2017.

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

## 25. Convertible loans

	<u>Group and Company</u>		
	<u>31 December</u>	<u>31 December</u>	<u>1 January</u>
	<u>2018</u>	<u>2017</u>	<u>2017</u>
	RMB'000	RMB'000	RMB'000
<b>Non-Current</b>			
Convertible loans	–	–	44,122
<b>Current</b>			
Convertible loans	–	–	308,774
	<u>–</u>	<u>–</u>	<u>352,896</u>
At beginning of year	–	352,896	337,511
Transfer from accrued interest	–	67,758	–
Transfer from derivative liability (Note 27)	–	150,076	–
Redemption of convertible loans	–	(397,259)	–
Gain on redemption of convertible loans	–	(179,517)	–
Exchange difference on translation	–	6,046	15,385
At end of year	<u>–</u>	<u>–</u>	<u>352,896</u>

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

# Notes to the Financial Statements

31 December 2018

## 25. Convertible loans (cont'd)

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

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

## 26. Trade and other payables

	<u>31 December</u> <u>2018</u> RMB'000	<u>Group</u> <u>31 December</u> <u>2017</u> RMB'000	<u>1 January</u> <u>2017</u> RMB'000
<u>Trade payables:</u>			
Outside parties and accrued liabilities	22,613	10,218	10,676
Trade payables – subtotal	<u>22,613</u>	<u>10,218</u>	<u>10,676</u>
<u>Other payables:</u>			
Outside parties	1,041	9,040	4,891
Accrued expenses	24,897	25,863	47,298
Accrued staff costs	1,248	18,075	5,875
Advances from customers	2,354	1,582	3,076
Director (Note 3)	5,591	–	1,000
Interest payable	–	–	50,147
Rental deposits	893	3,444	3,444
Other taxes payables	540	7,341	5,850
Other payables – subtotal	<u>36,564</u>	<u>65,345</u>	<u>121,581</u>
Total trade and other payables	<u>59,177</u>	<u>75,563</u>	<u>132,257</u>
	<u>31 December</u> <u>2018</u> RMB'000	<u>Company</u> <u>31 December</u> <u>2017</u> RMB'000	<u>1 January</u> <u>2017</u> RMB'000
<u>Other payables:</u>			
Subsidiaries (Note 3)	106,196	102,489	1,900
Director (Note 3)	–	–	1,000
Accrued expenses	7,448	187	15,453
Accrued staff costs	–	1,640	3,468
Interest payable	–	–	50,147
Other tax payables	–	6,240	5,300
Total other payables	<u>113,644</u>	<u>110,556</u>	<u>77,268</u>

# Notes to the Financial Statements

31 December 2018

## 27. Derivative liability

	<u>Group and Company</u>		
	<u>31 December</u> <u>2018</u> RMB'000	<u>31 December</u> <u>2017</u> RMB'000	<u>1 January 2017</u> RMB'000
At beginning of year	–	147,549	141,117
Exchange difference on translation	–	2,527	6,432
Transfer to convertible loans (Note 25)	–	(150,076)	–
At end of year	<u>–</u>	<u>–</u>	<u>147,549</u>

Derivative liability arose from redemption premium on the convertible loans (Note 25) whose fair value was not assessed since the year ended 31 December 2015. The derivative liability was extinguished in 2017.

## 28. Discontinued operation

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

	<u>Group</u>	
	<u>2018</u> RMB'000	<u>2017</u> RMB'000
Other operating income (Note 6)	2,156	10
Other operating expenses (Note 6)	<u>(394)</u>	<u>(311)</u>
Profit/(loss) before income tax	1,762	(301)
Income tax	–	–
Profit/(loss) for the year	<u>1,762</u>	<u>(301)</u>



# Notes to the Financial Statements

31 December 2018

## 29. Earnings/(loss) per share

The following table illustrates the numerators and denominators used to calculate basic and diluted amount per share of no par value:

	<u>Group</u>	
	<u>2018</u> RMB'000	<u>2017</u> RMB'000
A. Numerators: Earnings attributable to equity holders		
- Continuing operations	47,020	189,639
- Discontinued operation	1,762	(301)
	<u>48,782</u>	<u>189,338</u>
B. Denominators: weighted average number of equity shares		
Basic and diluted	<u>24,296,921,463</u>	<u>4,875,306,306</u>
<b>Continuing operation</b>		
Earnings per share (fen)		
- Basic	0.19	3.89
- Diluted	<u>0.19</u>	<u>(0.01)</u>
<b>Discontinued operation</b>		
Earnings per share (fen)		
- Basic	0.01	(0.01)
- Diluted	<u>0.01</u>	<u>(0.01)</u>
Earnings for the year		
Earnings per share (fen)		
- Basic	0.20	3.88
- Diluted	<u>0.20</u>	<u>3.88</u>

# Notes to the Financial Statements

31 December 2018

## 30. Operating lease payment commitments – as lessee

At the end of the reporting year the total of future minimum lease payment commitments under non-cancellable operating leases are as follows.

	<u>31 December</u> <u>2018</u> RMB'000	<u>Group</u> <u>31 December</u> <u>2017</u> RMB'000	<u>1 January</u> <u>2017</u> RMB'000
Not later than one year	213	551	267
Later than one year and not later than five years	<u>–</u>	<u>371</u>	<u>240</u>
Rental expenses for the year	<u>596</u>	<u>573</u>	<u>582</u>

Operating lease payments are for rentals payable for certain office premise and warehouse. The lease rental terms are negotiated for an average term of two or three years but the amount of the rent increase is not to exceed a certain percentage.

## 31. Operating lease income commitments – as lessor

At the end of the reporting year the total of future minimum lease receivables committed under non-cancellable operating leases are as follows:

	<u>31 December</u> <u>2018</u> RMB'000	<u>Group</u> <u>31 December</u> <u>2017</u> RMB'000	<u>1 January</u> <u>2017</u> RMB'000
Not later than one year	952	479	546
Later than one year and not later than five years	<u>1,290</u>	<u>144</u>	<u>623</u>
Rental income for the year	<u>628</u>	<u>1,400</u>	<u>448</u>

Operating lease income commitments are for the prepayment for lease of land. The lease rental income terms are negotiated for an average term of three years and rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage.

# Notes to the Financial Statements

31 December 2018

## 32. Acquisition of subsidiary

On 28 December 2018, the Group acquired 51% of the share capital of Alps Group Pte. Ltd. (incorporated in Singapore) and from that date the Group gained control and Alps Group Pte. Ltd. became a subsidiary (see note 13 for principal activities). The transaction was accounted for using the acquisition method of accounting.

The consideration transferred was as follows:

	2018 RMB'000
Purchase consideration	<u>5,143</u>

The carrying value of identifiable assets acquired and liabilities assumed are as follows:

	Pre-acquisition book value under FRS RMB'000	Provisional fair value RMB'000
<u>At 28 December 2018</u>		
Property, plant and equipment	98	98
Inventories	1,764	1,764
Trade and other receivables	1,781	1,781
Other assets	49	49
Cash and cash equivalents	5,813	5,813
Trade and other payables	<u>(6,025)</u>	<u>(6,025)</u>
Net identifiable assets	<u>3,480</u>	3,480
Less: Non-controlling interest		<u>(1,705)</u>
Net identifiable assets acquired		1,775
Goodwill arising from acquisition (note 12)		<u>3,368</u>
Purchase consideration		<u>5,143</u>

Net cash inflow on acquisition is as follows:

Cash consideration paid	5,143
Less: Cash and cash equivalents in subsidiary acquired	<u>(5,813)</u>
Net cash inflow on acquisition	<u>(670)</u>

Pursuant to an agreement between the sellers and the Company dated 10 September 2018, the purchase consideration was RMB5,143,000 (S\$1,020,000).

The fair value shown above for Alps Group Pte. Ltd. are provisional as the hindsight period allowed by financial reporting standards has not yet expired. A detailed expert report on the fair value of provisions is expected to be available in 2019.

# Notes to the Financial Statements

31 December 2018

## 32. Acquisition of subsidiary (cont'd)

The contributions from the acquired subsidiary for the period between the date of acquisition and the end of the reporting period were insignificant. The following are the results of the acquired subsidiary for the financial year ended 31 December 2018.

	Group For the reporting year 2018 RMB'000
Revenue	8,161
Loss before income tax	<u>(846)</u>

## 33. Financial instruments: information on financial risks

### 33A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	<u>31 December</u> <u>2018</u> RMB'000	<u>Group</u> <u>31 December</u> <u>2017</u> RMB'000	<u>1 January</u> <u>2017</u> RMB'000
<u>Financial assets:</u>			
Financial assets at amortised cost	104,016	123,218	14,369
At end of the year	<u>104,016</u>	<u>123,218</u>	<u>14,369</u>
<u>Financial liabilities:</u>			
Financial liabilities at amortised cost	62,572	78,947	501,118
Financial liabilities at FVTPL	–	–	147,549
At end of the year	<u>62,572</u>	<u>78,947</u>	<u>648,667</u>
	<u>31 December</u> <u>2018</u> RMB'000	<u>Company</u> <u>31 December</u> <u>2017</u> RMB'000	<u>1 January</u> <u>2017</u> RMB'000
<u>Financial assets:</u>			
Financial assets at amortised cost	26,755	48,402	17,016
At end of the year	<u>26,755</u>	<u>48,402</u>	<u>17,016</u>
<u>Financial liabilities:</u>			
Financial liabilities at amortised cost	117,039	113,940	446,129
Financial liabilities at FVTPL	–	–	147,549
At end of the year	<u>117,039</u>	<u>113,940</u>	<u>593,678</u>

Further quantitative disclosures are included throughout these financial statements.

## **33. Financial instruments: information on financial risks (cont'd)**

### **33B. Financial risk management**

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks. However these are not formally documented in written form. The guidelines include the following:

1. Minimise interest rate, currency, credit and market risks for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance (if necessary). The same strategy is pursued with regard to interest rate risk.
3. All financial risk management activities are carried out and monitored by senior staff.
4. All financial risk management activities are carried out following acceptable market practices.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

### **33C. Fair values of financial instruments**

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include both the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

### **33D. Credit risk on financial assets**

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For expected credit losses (ECL) on financial assets, the three-stage approach in the financial reporting standard on financial instruments is used to measure the impairment allowance. Under this approach the financial assets move through the three stages as their credit quality changes. However, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-1 loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Note 21 discloses the maturity of the cash and cash equivalents balances. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

# Notes to the Financial Statements

31 December 2018

## 33. Financial instruments: information on financial risks (cont'd)

### 33E. Liquidity risk – financial liabilities maturity analysis

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. There are no liabilities contracted to fall due after twelve months at the end of the reporting year. The average credit period taken to settle trade payables is about 60 days (2017: 60 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

<u>Less than 1 year</u>	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities:				
Trade and other payables	59,177	75,563	113,644	110,556
Borrowings	3,395	3,384	3,395	3,384
At end of year	<u>62,572</u>	<u>78,947</u>	<u>117,039</u>	<u>113,940</u>

### 33F. Interest rate risk

Interest rate risk arises on interest-bearing financial instruments recognised in the statement of financial position and on some financial instruments not recognised in the statement of financial position. The interest from financial assets including cash balances is not significant.

### 33G. Foreign currency risks

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, i.e. in a currency other than the functional currency in which they are measured. For the purpose of this financial reporting standard on financial instruments: disclosures, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

Analysis of amounts denominated in non-functional currencies is as follows:

	<u>Group</u>	
	<u>US dollars</u>	
	<u>2018</u>	<u>2017</u>
	RMB'000	RMB'000
<u>Financial assets:</u>		
Cash and cash equivalents	1,544	1,208
Loans and other receivables	181	–
Total financial assets	<u>1,725</u>	<u>1,208</u>
<u>Financial liabilities:</u>		
Trade and other payables	(25)	–
Total financial liabilities	<u>(25)</u>	<u>–</u>
Net financial assets at end of year	<u>1,700</u>	<u>1,208</u>

There is exposure to foreign currency risk as part of its normal business.

Sensitivity analysis is as follows: The effect on pre-tax profit is not significant.

# Notes to the Financial Statements

31 December 2018

## 34. Reconciliation of announced unaudited results on 1 March 2019 and audited results for the year as of 31 December 2018

### Consolidated Statement of Profit or Loss

	Announced results on 1 March 2019 RMB'000	Reconciliation (see note below) RMB'000		Audited results RMB'000
Revenue	21,140	(123)	A	21,017
Other operating income	19,925	6,520	B	63,292
		36,847	K	
Cost of inventories	(20,097)	1,929	C	(18,168)
Gain arising from changes in fair value less costs to sell biological assets	17,898	(3,512)	D	14,386
Employee benefits expense	(9,021)	725	E	(8,296)
Depreciation and amortisation expense	(5,725)	(6,444)	N	(12,169)
Other operating expenses	(21,461)	(8,450)	F	(12,967)
		17,066	G	
		1,413	K	
		394	E	
		(1,929)	C	
<b>Profit before taxation</b>	2,659			47,095
Income tax expense	–	–		–
<b>Profit for the year from continuing operations</b>	2,659			47,095
<b>Discontinued operations</b>				
Profit for the year from discontinued operations	2,198	(436)	H	1,762
<b>Profit for the year</b>	4,857	44,000		48,857

# Notes to the Financial Statements

31 December 2018

## 34. Reconciliation of announced unaudited results on 1 March 2019 and audited results for the year as of 31 December 2018 (cont'd)

### Statement of Financial Position

	Announced results on 1 March 2019 RMB'000	Reconciliation (see note below) RMB'000		Audited results RMB'000
<b>ASSETS</b>				
<b><u>Non-current assets</u></b>				
Property, plant and equipment	76,848	38,260 (6,444)	K N	108,664
Goodwill	2,482	886	L	3,368
Other receivable, non current	–	5,043	I	5,043
Other financial assets	–	–		–
Other assets, non-current	2,203	(227)	M	1,976
<b>Total non-current assets</b>	<b>81,533</b>			<b>119,051</b>
<b><u>Current assets</u></b>				
Biological assets	5,328	(3,512)	D	1,816
Inventories	3,580	441 (706)	L O	3,315
Trade and other receivables	18,531	(123) (5,043) (8,450) (1,087) (2,103)	A I F J L	2,606
Other assets, current	–	706 175 1,087	O P J	1,314
Cash and bank balances	96,606	227 (239)	M L	96,367
<b>Total current assets</b>	<b>124,045</b>			<b>105,418</b>
<b>Total assets</b>	<b>205,578</b>			<b>224,469</b>
<b>EQUITY AND LIABILITIES</b>				
<b><u>Equity</u></b>				
Share capital	2,794,067	–		2,794,067
Reserves	(2,685,590)	(17,066) 44,000 (189)	G P	(2,658,845)
Equity attributable to owners of the Company	108,477			135,222
Non-controlling interests	3,576	(880) 31	L P	2,727
<b>Total equity</b>	<b>112,053</b>			<b>137,949</b>
<b><u>Non-current liabilities</u></b>				
Borrowings	–	–		–
Convertible loans	–	–		–
<b>Total non-current liabilities</b>	<b>–</b>			<b>–</b>



# Notes to the Financial Statements

31 December 2018

## 34. Reconciliation of announced unaudited results on 1 March 2019 and audited results for the year as of 31 December 2018 (cont'd)

### Statement of Financial Position (cont'd)

	Announced results on 1 March 2019 RMB'000	Reconciliation (see note below) RMB'000		Audited results RMB'000
<b><u>Current liabilities</u></b>				
Trade and other payables	66,182	(6,520)	<b>B E L H P</b>	59,177
		(1,119)		
		(135)		
		436		
		333		
Borrowings	3,395	–		3,395
Convertible loans	–	–		–
Derivative liability	–	–		–
Current tax payable	23,948	–		23,948
<b>Total current liabilities</b>	<u>93,525</u>			<u>86,520</u>
<b>Total liabilities</b>	<u>93,525</u>			<u>86,520</u>
<b>Total equity and liabilities</b>	<u>205,578</u>			<u>224,469</u>

#### Note:

- A:** This adjustment represents revenue cut off error.
- B:** This adjustment represents the derecognition of long outstanding unclaimed trade and other payables.
- C:** This represents reclassification of consultancy fee expenses from cost of inventories to other expenses.
- D:** This adjustment represents changes in fair value less cost to sell of biological assets based on independent valuer's report which was finalised after announcement date.
- E:** This represents reversal of over-accrued post-employment benefits and other operating expenses.
- F:** This represents additional allowance for impairment on other receivables.
- G:** This represents reversal of impairment loss on other investment (see Note 15).
- H:** This represents correction of foreign exchange differences.
- I:** This adjustment represents reclassification of other receivables from current to non-current.
- J:** This represents reclassification from trade and other receivables to other assets.
- K:** This adjustment represents reversal of impairment loss on property, plant and equipment.
- L:** This adjustment represents changes to the book value of the subsidiary acquired during the year (Note 32).
- M:** This adjustment represents reclassification from non-current portion to current portion of other assets.

# Notes to the Financial Statements

31 December 2018

**34. Reconciliation of announced unaudited results on 1 March 2019 and audited results for the year as of 31 December 2018 (cont'd)**

**Note:**

**N:** This represents understatement of depreciation charges.

**O:** This represents reclassification of inventories to other receivables.

**P:** This represents reclassification of accounts.

# Notes to the Financial Statements

31 December 2018

## 35. Events after the end of the reporting year

- On 27 February 2019, the Group's wholly-owned subsidiary, Oceanus Investment Holdings Pte. Ltd. ("OIH"), has established the following associate company in Singapore:

Name of Company :	Oceanus Opal (S) Pte. Ltd. ("OOPL")
Place of incorporation :	Singapore
Issued and paid-up share capital :	SGD470,000 comprising 470,000 ordinary shares of SGD1 each
Interest :	Oceanus Investment holding 49% in OOPL and Opal Resources Pte. Ltd. holding 51% in OOPL
Principal Activity :	Operation of hatcheries and fish farms, processing, curing and preserving of fish and other seafood

- The Group's wholly owned subsidiary, OIH, had on 18 March 2019 entered into a sale and purchase agreement ("SPA") with Tan Guan Cheong ("Vendor") for the acquisition of 20,425 ordinary shares ("Target Shares") in the issued and paid up share capital of AP Media Pte. Ltd. ("Target") representing approximately 51% of the entire issued and paid up share capital of the Target (the "Acquisition") for a consideration of RMB2,017,000. The Acquisition had been completed on 18 March 2019 ("Completion Date"), the same day on which the SPA was executed. The Target is now a subsidiary of OIH as OIH owns shares representing approximately 51% of the entire issued and paid up share capital of the Target.

The consideration transferred was as follows:

	<u>2018</u> RMB'000
Purchase consideration	<u>2,017</u>

The carrying value of identifiable assets acquired and liabilities assumed are as follows:

	Pre-acquisition book value under FRS RMB'000	Provisional fair value RMB'000
<u>At 18 March 2019</u>		
Property, plant and equipment	295	295
Trade and other receivables	202,663	202,663
Cash and cash equivalents	1,429	1,429
Trade and other payables	(4,323)	(4,323)
Deferred tax liabilities	(50)	(50)
Net identifiable assets	<u>200,014</u>	<u>200,014</u>
Less: Non-controlling interest		(98,007)
Net identifiable assets acquired		<u>102,007</u>
Negative goodwill arising from acquisition		(99,990)
Purchase consideration		<u>2,017</u>

Net cash outflow on acquisition is as follows:

Cash consideration paid	2,017
Less: Cash and cash equivalents in subsidiary acquired	(1,429)
Net cash outflow on acquisition	<u>588</u>

# Notes to the Financial Statements

31 December 2018

## 35. Events after the end of the reporting year (cont'd)

3. The Group has incorporated a new wholly-owned subsidiary, Oceanus Feed Pte Ltd in Singapore on 11 April 2019 with the initial issued share capital of S\$1,000 (equivalent to RMB5,000) comprising 1,000 ordinary shares. The principal activities of this subsidiary are wholesale of animals' feeds and agricultural raw materials.

## 36. Changes and adoption of financial reporting standards

For the current reporting year new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. Those applicable new or revised standards did not require any significant modification of the measurement methods or the presentation in the financial statements.

<u>SFRS (I) No.</u>	<u>Title</u>
SFRS(I) 1-40	Amendments to, Transfer of Investment Property
SFRS(I) 1	First-time Adoption of Singapore Financial Reporting Standards (International)
SFRS(I) 2	Amendments to, Classification and Measurement of Share-based Payment Transactions
SFRS(I) 9	Financial Instruments
SFRS(I) 15	Revenue from Contracts with Customers. Amendments to, Clarifications to SFRS(I) 15 Revenue from Contracts with Customers
SFRS(I) INT 22	Foreign Currency Transactions and Advance Consideration

The Group and the Company first adopted SFRS(I)s from 1 January 2018, with a date of transition to SFRS(I)s of 1 January 2017. Its last financial statements for the financial year ended 31 December 2017 was prepared in accordance with the Financial Reporting Standards in Singapore ("FRSs").

In the first set of SFRS(I)s financial statements for the reporting year ended 31 December 2018, an additional opening statement of financial position as at date of transition of 1 January 2017 is presented, together with related notes. There were no material impact to the Company's financial statements and previous accounting policies upon the adoption of SFRS(I)s.

# Notes to the Financial Statements

31 December 2018

## 37. New or amended standards in issue but not yet effective

For the future reporting years certain new or revised financial reporting standards were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in any significant modification of the measurement methods or the presentation in the financial statements for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards may have on the entity's financial statements in the period of initial application.

<u>SFRS (I) No.</u>	<u>Title</u>	<u>Effective date for periods beginning on or after</u>
SFRS(I) 1-28	Amendments: Long-Term Interests In Associates And Joint Ventures	1 Jan 2019
SFRS(I) 16	Leases (and Leases - Illustrative Examples & Amendments to Guidance on Other Standards)	1 Jan 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 Jan 2019
SFRS(I) 1-12	Improvements (2017) – Amendments: Income Taxes	1 Jan 2019
SFRS(I) 1-23	Improvements (2017) – Amendments: Borrowing Costs	1 Jan 2019
SFRS(I) 3	Improvements (2017) – Amendments: Business Combinations	1 Jan 2019
SFRS(I) 1-19	Amendments: Employee Benefits	1 Jan 2019

## 38. Comparative figures

The financial statements for the reporting year ended 31 December 2017 were audited by other independent auditor (other than RSM Chio Lim LLP) whose report dated 13 April 2018 expressed a qualified opinion on those financial statements as follows:

### *“Basis for Qualified Opinion*

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

- (1) Trade and other payables and supporting documents;
- (2) Loans; and
- (3) Biological assets

- (1) Trade and other payables and supporting documents

- (1)(A) Trade and other payables

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

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

# Notes to the Financial Statements

31 December 2018

## 38. Comparative figures (cont'd)

### (1)(B) Amount due to executive director

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

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

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

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

### (2) Loans

#### (2)(A) Convertible loans

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

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

Management applied the redemption consideration against the carrying amount of the convertible loans and recognised a gain on redemption of RMB179,517,000. This was not in compliance with FRS32.

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

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

# Notes to the Financial Statements

31 December 2018

## 38. Comparative figures (cont'd)

### (2)(B) Other loans

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

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

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

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

### (3) Biological assets (Note 17 to the financial statements)

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

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

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

### (4) Other investment (Note 15 to the financial statements)

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

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

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

# Notes to the Financial Statements

31 December 2018

## 39. Other matters

Under Section 202A(2) of the Act, management has voluntarily undertaken a revision exercise in respect of the financial statements for the financial year ended 31 December 2017 to ensure compliance with accounting standards. Management has engaged the incumbent independent auditors for the reporting year ended 31 December 2017 to audit the revised financial statements for the reporting year ended 31 December 2017. As this ongoing revision exercise is of a limited scope pertaining to periods prior to the year ended 31 December 2018, management has assessed this to have zero or immaterial effect on the financial performance and cash flows for the year ended 31 December 2018.



# STATISTICS OF SHAREHOLDINGS

# Statistics of Shareholdings

As at 28 June 2019

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

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS		NO. OF SHARES	
		%		%
1 – 99	53	0.63	2,013	0.00
100 – 1,000	228	2.71	168,361	0.00
1,001 – 10,000	1,511	17.98	11,930,047	0.05
10,001 – 1,000,000	6,080	72.33	949,728,845	3.91
1,000,001 AND ABOVE	534	6.35	23,335,092,197	96.04
<b>TOTAL</b>	<b>8,406</b>	<b>100.00</b>	<b>24,296,921,463</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	8,099,964,033	33.34
2	BW INVESTMENT LIMITED	2,551,073,280	10.50
3	DBSN SERVICES PTE. LTD.	1,110,369,310	4.57
4	UOB KAY HIAN PRIVATE LIMITED	1,031,312,981	4.24
5	SIGMA SHARES LIMITED	885,505,405	3.64
6	ESSENTRADE LIMITED	864,912,256	3.56
7	XU SHUN CHENG @PERMAN YADI	843,592,620	3.47
8	ARRAVALD LTD	823,725,958	3.39
9	NEO BEE HONG	550,350,639	2.27
10	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	395,376,893	1.63
11	PENTANA INVESTMENT LTD	388,202,511	1.60
12	THOMAS CHAN HO LAM	364,505,387	1.50
13	FULL HORIZON INVESTMENTS LIMITED	340,143,104	1.40
14	CHEN YONG SHUN	274,575,320	1.13
15	GOH LAY HUA (WU LIHUA)	274,575,320	1.13
16	KOH KENG GUAN	274,575,320	1.13
17	HERY SUPARMAN	270,190,492	1.11
18	DBS NOMINEES (PRIVATE) LIMITED	265,339,277	1.09
19	EMEC HOLDINGS PTE LTD	258,292,452	1.06
20	KEE POIR MOK	186,442,338	0.77
	<b>TOTAL</b>	<b>20,053,024,896</b>	<b>82.53</b>

# Statistics of Shareholdings

As at 28 June 2019

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

	Direct Interest		Deemed Interest	
	No. of Shares	% <sup>1</sup>	No. of Shares	% <sup>1</sup>
Ocean Wonder International Limited	4,795,668,398	19.7	–	–
AIF Capital Asia III, LP	–	–	4,795,668,398	19.7 <sup>2</sup>
AIF Capital Asia III GP Limited	–	–	4,795,668,398	19.7 <sup>2</sup>
AIF Capital Partners Holdings, L.P.	–	–	4,795,668,398	19.7 <sup>2</sup>
AIF Capital Partners, Ltd.	–	–	4,795,668,398	19.7 <sup>2</sup>
Peter F. Amour	–	–	4,795,668,398	19.7 <sup>2</sup>
Varina Group Limited	–	–	4,795,668,398	19.7 <sup>2</sup>
Theresa Yuk Mui Chung	–	–	4,795,668,398	19.7 <sup>2</sup>
Stephen Lee	13,100,681	0.05	4,795,668,398	19.7 <sup>3</sup>
Peter Koh Heng Kang	2,486,188,837	10.23	–	–
BW Investment Limited	2,785,248,771	11.46	–	–
Borrelli Walsh Asia Limited	–	–	2,785,248,771	11.46 <sup>4</sup>
Bombay Bicycle Club Limited	–	–	2,785,248,771	11.46 <sup>4</sup>
Paul Michael Walsh	–	–	2,785,248,771	11.46 <sup>4</sup>
Cosimo Borrelli	–	–	2,785,248,771	11.46 <sup>4</sup>
Thomas Chan Ho Lam	1,376,220,416	5.66	98,654,281	0.41 <sup>5</sup>

### Notes:

- 1 Computed based on 24,296,921,463 shares, being the total number of issued voting shares of the Company as at 28 June 2019.
- 2 AIF Capital Asia III, L.P. ("AIF LP") is the sole shareholder of Ocean Wonder International Limited ("OWIL") and accordingly holds more than 50% of the voting rights in OWIL. AIF Capital Asia III GP Limited ("AIF GP") is the general partner of AIF LP. AIF Capital Partners Holdings, L.P. ("AIF CPH LP") is the sole shareholder of AIF GP and accordingly holds more than 50% of the voting rights in AIF GP.  
  
AIF Capital Partners, Ltd. ("AIF Ltd") is the general partner of AIF CPH LP. Peter F. Amour ("PFA") and Theresa Yuk Mui Chung ("Theresa") each holds not less than 20% of the voting rights in AIF Ltd.  
  
Varina Group Limited ("VGL") holds not less than 20% of the voting rights in AIF CPH LP. Asian Corporate Advisers Limited ("ACAL") is the sole shareholder of VGL and accordingly holds more than 50% of the voting rights in VGL. ACAL holds all the shares of VGL as bare trustee in trust for the benefit of PFA.
- 3 AIF Ltd is the general partner of AIF CPH LP. Stephen Lee holds not less than 20% of the voting rights in AIF Ltd. Accordingly, Stephen Lee is deemed to have an interest as a substantial shareholder in the shares.
- 4 Borrelli Walsh Asia Limited ("BWAL") is the sole shareholder of BW Investment Limited ("BWIL") with deemed interest in the Company's shares held by BWIL. Bombay Bicycle Club Limited ("BBCL") and Jason Aleksander Kardachi ("Mr Kardachi") are the only substantial shareholders in BWAL with deemed interest in BWIL. On 25 April 2019, a notification form for director ("Form 1") or Mr Kardachi pertaining to his shareholding in the Company was released to the SGX-ST. Mr Kardachi was ceased as the Non-Independent Non-Executive Director and a member of the Nominating Committee and Remuneration Committee as per the announcement on cessation of director released to SGX-ST on 8 May 2019. Cosimo Borrelli and Paul Michael Walsh are the only substantial shareholders in BBCL with deemed interest in BWAL and BWIL.
- 5 Mr Thomas Chan Ho Lam ("Mr Thomas Chan") holds all the shares in Golden Summit International Ltd ("GSIL"). Accordingly, Mr Thomas Chan is deemed interested in the shares held by GSIL.

## PERCENTAGE OF SHAREHOLDINGS IN PUBLIC'S HANDS

Based on the information available to the Company as of 28 June 2019, approximately 50.54% of the total number of issued voting shares of the Company were held in the hands of the public and therefore, the Rule 723 of the Listing Manual of the SGX-ST is complied with.

**ANNUAL  
GENERAL  
MEETING**

# Notice of Annual General Meeting



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

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting (“**AGM**”) of Oceanus Group Limited (the “**Company**”) will be held at Capital Tower, STI Auditorium (Level 9), 168 Robinson Road, Singapore 068912 on Wednesday, 31 July 2019 at 3:00 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 2018 together with the Directors’ Statement and the Independent Auditor’s Report.  

**(Resolution 1)**
2. To re-elect the following Directors of the Company retiring pursuant to Regulation 111 of the Constitution of the Company:  

Mr Kee Poir Mok [see Explanatory Note 1] **(Resolution 2)**  
Mr Stephen Lee [see Explanatory Note 2] **(Resolution 3)**
3. To re-elect Mr Edward Loy Chee Kim, being a Director of the Company retiring pursuant to Regulation 121 of the Constitution of the Company. [see Explanatory Note 3] **(Resolution 4)**
4. To approve the payment of Directors’ fees of S\$60,000 for the financial year ending 31 December 2019, to be paid quarterly in arrears. [2018:S\$68,000] **(Resolution 5)**
5. To re-appoint Messrs RSM Chio Lim LLP as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**
6. To transact any other business that may be properly transacted at an AGM.

# Notice of Annual General Meeting

## As Special Business

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

### 7. AUTHORITY TO ALLOT AND ISSUE SHARES

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

1. (i) issue and allot shares in the capital of the Company (“**Shares**”) (whether by way of rights, bonus or otherwise); and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that may or would require Shares to be issued, including but not limited to the creation and issue of warrants, debentures or other instruments convertible into Shares,

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

2. (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force, provided that:–
  - (a) the aggregate number of Shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (b) below);
  - (b) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued Share shall be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) in the share capital of the Company at the time of the passing of this Resolution, after adjusting for:
    - (i) new Shares arising from the conversion or exercise of any convertible securities;

# Notice of Annual General Meeting

- (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 SGX-ST Listing Manual; 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 (Cap. 50) of Singapore and SGX-ST Listing Manual 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 4] **(Resolution 7)**

By Order of the Board

Peter Koh Heng Kang  
Executive Director and Chief Executive Officer

Singapore, 16 July 2019

## Explanatory Notes:

- (1) Ordinary Resolution 2 – Mr Kee Poir Mok will, upon re-election, remain as an Independent Non-Executive Director and a member of the Audit Committee, the Nominating Committee and the Remuneration Committee of the Company.
- (2) Ordinary Resolution 3 – Mr Stephen Lee will, upon re-election, remain as a Non-Executive Director and a member of the Audit Committee, the Nominating Committee and the Remuneration Committee of the Company.
- (3) Ordinary Resolution 4 – Mr Edward Loy Chee Kim will, upon re-election, remain as an Independent Non-Executive Director and the Chairman of the Audit Committee.
- (4) Ordinary Resolution 7 – 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.

# Notice of Annual General Meeting

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) of Singapore.

3. A proxy need not be a member of the Company. An instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, not less than 72 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.



# Notice of Annual General Meeting

## 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 and its proxy(ies)'s or representative'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 express 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, (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iv) 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. Your or your proxy and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

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

**PROXY FORM – ANNUAL GENERAL MEETING**  
(Please see notes overleaf before completing this Form)

**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 16 July 2019.

I/We, \_\_\_\_\_ (name), NRIC/Passport No./Co. Reg. No. \_\_\_\_\_  
of \_\_\_\_\_ (address)  
being a member/members of OCEANUS GROUP LIMITED (the “Company”), hereby appoint:

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Annual General Meeting (“AGM”) as \*my/our \*proxy/proxies to attend and to vote for \*me/us on \*my/our behalf the AGM of the Company to be held at Capital Tower, STI Auditorium (Level 9), 168 Robinson Road, Singapore 068912 on Wednesday, 31 July 2019 at 3:00 p.m. and at any adjournment thereof.

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

No.	ORDINARY RESOLUTIONS	For**	Against**
	<b>Ordinary Business</b>		
1	Adoption of the Directors’ Statement and Audited Financial Statements for the financial year ended 31 December 2018, together with the Independent Auditor’s Report.		
2	Re-election of Mr Kee Poir Mok as a Director.		
3	Re-election of Mr Stephen Lee as a Director.		
4	Re-election of Mr Edward Loy Chee Kim as a Director.		
5	Approval of payment of Directors’ fees of S\$60,000 for the financial year ending 31 December 2019, to be paid quarterly in arrears.		
6	Re-appointment of Messrs RSM Chio Lim LLP as Independent Auditor.		
	<b>Special Business</b>		
7	Authority to allot and issue Shares.		

\* Delete where inapplicable

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

Date this \_\_\_\_\_ day of \_\_\_\_\_ 2019

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

\_\_\_\_\_  
Signature(s) of Shareholder(s)  
Or, Common Seal of Corporate Shareholder

**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 (Cap. 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 office of the Company's Share Registrar at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 not less than 72 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, (Cap. 50) of Singapore.

**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 AGM dated 16 July 2019.

**General:**

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




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**Oceanus Group Limited**

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

 oceanus-grp-limited  oceanusgrouplimited  oceanusgrp

[www.oceanus.com.sg](http://www.oceanus.com.sg)