



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

ANNOUNCEMENT PURSUANT TO RULE 704(5) OF THE SGX-ST LISTING MANUAL

The Board of Directors ("**Board**") of Oceanus Group Limited ("**Company**") wishes to announce that the Company's Independent Auditor, RSM Chio Lim LLP ("**Independent Auditor**") have issued a qualified opinion in the Independent Auditor's Report on the consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 December 2018.

Relevant sections of the Independent Auditor's Report are reproduced below:

Independent Auditor's Report to the Members of

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.

Basis for Qualified opinion (cont'd)

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.

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.

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.

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.

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.

Engagement partner - effective from year ended 31 December 2018

The Annual Report for FY2018 which will contain the Independent Auditor's Report has been issued to shareholders of the Company and the SGX-ST on 16 July 2019

BY ORDER OF THE BOARD

Peter Koh Heng Kang
Executive Director and Chief Executive Officer
16 July 2019