



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

RESPONSE TO QUERIES RAISED BY THE SINGAPORE EXCHANGE SECURITIES REGARDING COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 ("ANNUAL REPORT FY2019")

The Board of Directors ("**Board**") of Oceanus Group Limited ("**Company**") refers to queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") regarding the Company's Annual Report FY2019.

Query #1:

We refer to pages 29 to 31 of the Annual Report in relation to Disclosure on Remuneration.

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "**Code**"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 8.1 of the Code with regards to the disclosure of remuneration, and there were no explanations were provided for in your FY2019 annual report on how it is consistent with the intent of Principle 8 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Company's Response:

With regard to Provision 8.1 of the Code, the Company had on page 29 to 31 of the Annual Report FY2019 complied with disclosure of each individual director, the CEO and top key management personnel (who are not directors or the CEO) ("**KMPs**") in bands of S\$250,000 and in aggregate the total remuneration paid to these KMPs. The Company has also disclosed the percentage breakdown of remuneration of each individual director and the CEO in terms of base/fixed salary, fees, variable or performance benefits and other benefits on page 30 of the Annual Report FY2019.

While the Annual Report FY2019 had not disclosed the amounts and breakdown of remuneration of each individual director and the CEO to the full extent recommended under Provision 8.1 of the Code, the Company had disclosed on page 30 of the Annual Report FY2019 the reasons for deviating from Provision 8.1, as follows:

"The remuneration of the Directors, the CEO and key management personnel is not disclosed to the nearest thousand dollars 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."

As the Group operates mainly in the highly competitive food-moving consumer goods industry, disclosure of such sensitive and confidential information may result in the risk of the staff being poached by competitors, which would adversely affect the Company's business and operations.

As regards Principle 8 of the Code, as described on page 29 of the Annual Report FY2019, the Company has in place a remuneration framework whereby remuneration packages for Executive

Directors and the key management personnel take into account the performance of the Group and the individual. Performance-related remuneration is aligned with the interest of shareholders and other stakeholders and promotes the long-term success of the Company. The Director's remuneration for Non-Executive Directors shall be appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities of the Non-executive Directors, subject to approval of the shareholders of the Company at AGM.

Having regard to the above, the Board is of the view that the Company's practices are consistent with the intent of Principle 8 of the Code in relation to the Company's transparency on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Query #2:

We refer to page 31 of the Annual Report in relation to risk management and internal controls. We note that, "During the financial year under review, the AC was assisted by Management (the Executive Director, the CFO and the Operations Director, (China Operations)) and the work performed by the external auditors, carry out, an annual review of the adequacy and effectiveness of the Group's 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. Ms Jenny Koh, was appointed Head of Compliance to look after the internal audit function of the Company/Group following the retirement of Mr Robert Koh as the Operations Director (China Operations) on 2 October 2019. 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."

Listing Rule 1207(10C) requires the Audit Committee's comments on whether the internal audit function is independent, effective and adequately resourced. Please also provide information on whether the head of the internal audit function team has the relevant experience and qualifications.

Company's Response:

As described in page 32 of the Annual Report FY2019, the Audit Committee ("**AC**") is engaged in, among others, the following roles and responsibilities:

- 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, compliance, information technology controls and risk management system, is conducted at least annually by the internal and/or external auditors.

To ensure that the Company's internal audit function is adequate and effective, the AC is assisted by

various independent professional service providers and the Company's Compliance Department. The reviews performed by the Compliance Department and the assistance of the external auditors enable the AC to carry out assessments of the effectiveness of key internal controls during the year. Based on this assessment, the AC is satisfied that the internal audit function of the Company is effective and adequately resourced.

The AC is also satisfied that the internal audit function is independent, as the Head of Compliance reports directly to the AC, the majority of whom are independent directors. 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.

The relevant experience and qualifications of the Compliance Department team are as set out below:

Head of Compliance	The Head of Compliance has 20 years of extensive experience in the field of internal controls implementation, IT compliance advisory, risk management, operational process transformation and business re-engineering. Prior to joining the Company, she was a head of IT department (data centre) at HSBC Bank where she was involved in various aspects of operations, including information and data management in Singapore and China.
Compliance department team	<p>The Head of Compliance is primarily assisted by a manager who holds Finance and Advanced Accounting diploma qualifications. He has over 10 years of experience in the fields of accounting, internal and external audit and operational process improvement projects.</p> <p>Prior to joining the Company, he was an accounts and finance manager at PT Mega Permata Abadi, where he was involved in accounting, cash management and warehousing operations. He was also previous an audit supervisor at Christopher Heng & Co., where he was in charge of various audits for small to medium enterprise clients.</p>

Based on the above, the AC is satisfied that the Head of Compliance has the relevant experience and qualifications.

Query #3:

Listing Rule 210(5)(a) requires directors who has no prior experience as a director of an issuer listed on the Exchange to undergo training in the roles and responsibilities of director of a listed issuer as prescribed by the Exchange. We note that Mr. Eugen Chua had been appointed to your Board on 2 October 2019. Please disclose if Mr. Eugen Chua had attended trainings as required and as disclosed in the Company's announcement of his appointment as independent non-executive director on 2 October 2019, the date of the training(s) attended, and if no trainings have been attended, the reason(s) why.

Company's Response:

Mr Eugen Chua has undergone the following training since his appointment with the Company:

Date	Director Training Modules
17 October 2019	LED 8 - Remuneration Committee Essentials
17 October 2019	LED 7 - Nominating Committee Essentials
16 October 2019	LED 5 - Audit Committee Essentials
11 October 2019	LED 4 - Stakeholder Engagement
10 October 2019	LED 3 - Board Performance
10 October 2019	LED 2 - Board Dynamics
9 October 2019	LED 1 - Listed Entity Director Essentials

Query #4:

We refer to the Cash Flows Statement and the Company's unaudited financial statements for FY2019 announced on 28 February 2020. Please explain the Cash Flow Statement variances when compared against the Company's unaudited financial statements for the financial year ended 31 December 2019.

Company's Response:

We refer to pages 130 to 133 of the Annual Report FY2019 which sets out the reconciliation of announced unaudited full year information on 28 February 2020 and audited financial information for the year ended 31 December 2019 for both the Group's statements of financial position and comprehensive income. This includes respective explanatory notes for the changes. These changes in the statement of financial position and comprehensive income resulted in consequential variances to the Cash Flow Statement as set out below:

Consolidated Statement of Cash Flow for FY2019 RMB '000	Audited FY2019	Unaudited FY2019	Variance	Corresponding Explanatory Notes in the Annual Report FY2019
<u>Cash Flows from Operating Activities</u>				
Profit / (loss) before taxation				
Continuing operations	(19,961)	(19,503)	(458)	
Discontinued operations	74	74	-	
	(19,887)	(19,429)	(458)	
Adjustment for:				
Gain/(Loss) arising from changes in fair value less costs to sell of bio assets	-	(3,080)	3,080	Reclassified to working capital changes below
Depreciation of PPE	11,792	12,560	(768)	Reclassified to depreciation of rights-of-use assets
Depreciation of right-of-use assets	768		768	Reclassified from depreciation of PPE
Loss/(Gain) on disposal of prepaid leases	1,207		1,207	PL4
Impairment loss on ppe	(2,551)		(2,551)	PL1
Impairment allowance on goodwill	3,368		3,368	PL11
Amortisation of prepaid leases	62	(103)	165	PL8
Reversal of impairment loss of prepaid leases	(233)		(233)	PL4
Unrealised currency (gain)/loss	(124)	(1,189)	1,065	PL2
Interest income	(1,322)		(1,322)	PL6
Interest expense	49	-	49	PL7
Operating loss before working cap changes	(6,871)	(11,241)	4,370	
Change in inventories	411	569	(158)	B8
Change in trade receivables	(2,690)	(2,969)	279	B4,B5,PL3
Change in other non-financial assets	940	-	940	B4,B5,PL3
Change in biological assets	1,816	4,896	(3,080)	Reclassified from PL adjustments above

Change in trade payables	(1,289)	1,161	(2,450)	B11
Change in other non-financial liabilities	(885)		(885)	B11
Cash used in operations	(8,568)	(7,584)	(984)	
Income tax refunded	48		48	
Net cash used in operating activities	(8,520)	(7,584)	(936)	
<u>Cash Flows from Investing Activities</u>				
Acquisition of subsidiary	(219)	(1,307)	1,088	B1, B10, B12
Purchase of PPE	(649)	-	(649)	PL1, PL4, B6
Disposal of PPE	364	(113)	477	PL1, PL4, B6
Disposal of subsidiaries	(760)	(827)	67	B1, B10, B12
Interest received	1,322		1,322	PL6
Increase in other financial assets	(774)		(774)	B4
Net cash generated from investing activities	(716)	(2,247)	1,531	
<u>Cash Flows from Financing Activities</u>				
Interest paid				
Lease liabilities-principle portion paid	(813)		(813)	B7
Proceeds from borrowings	731	-	731	PL3
Net movements in amounts due to director	621		621	PL5
Net cash generated from financing activities	539	-	539	
Net decrease in cash and cash equivalents	(8,697)	(9,831)	1,134	
Effect of cash denominated in foreign currencies	82	1,216	(1,134)	
Cash and cash equivalents beginning balance	96,367	96,367	-	
Cash and cash equivalents ending balance	87,752	87,752	-	

Query #5:

We refer to page 38 of the Annual Report on the Company's disclosure of the use of proceeds.

Listing Rule 1207(20) states that,... where the proceeds are used for general working capital purposes, the issuer must announce a breakdown with specific details on the use of proceeds for working capital. Where there is any material deviation from the stated use of proceeds, the issuer must also announce the reasons for such deviation

Accordingly, please make the necessary disclosures in accordance with Listing Rule 1207(20).

Company's Response:

On 26 December 2017, the Company had raised S\$6.0 million from the issuance of 1,518,987,341 new ordinary shares as part of its debt restructuring exercise. As at 31 May 2020, the Company utilised S\$4.95 million for working capital purposes, the breakdown of which is set out below:

Use of Proceeds (Working capital)	Amount
Staff costs	S\$2,991K
Office costs	S\$514K
Professional and legal fees	S\$1,445K
Total	S\$4,950K

The use of proceeds above is in accordance with the intended use and percentage allocation of the proceeds raised from the issuance of the new ordinary shares as part of the Company's debt restructuring exercise.

BY ORDER OF THE BOARD

Peter Koh Heng Kang
Executive Director and Chief Executive Officer
23 June 2020