



OCEANUS GROUP LIMITED

(Incorporated in the Republic of Singapore under Registration Number: 199805793D)

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

The Board of Directors of Oceanus Group Limited (the “**Company**”) wishes to announce that the Company’s independent Auditors, Foo Kon Tan LLP (“**Independent Auditors**”), have issued a qualified opinion in the Independent Auditors’ Report on the consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 December 2014.

Relevant sections of the Independent Auditors’ Report are reproduced below:

Independent auditor’s report to the members of Oceanus Group Limited

Report on the financial statements

We were engaged to audit the accompanying financial statements of Oceanus Group Limited (the “Company”) and its subsidiaries (the “Group”), which comprise the statements of financial position of the Group and the Company as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the “Act”) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor’s responsibility

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

Basis for disclaimer of opinion

(1) Going concern

On 14 March 2016, the firm (the “Creditor”) which was providing security protection services at an abalone farm of Oceanus (China) Aquaculture Co., Ltd, a subsidiary, located in Gulei,

Zhangzhou, Fujian Province, PRC, had taken control over possession of the farm due to slow payment by the subsidiary and the subsidiary's dispute with the Creditor on the computation of the security protection services fees based on level of services provided. On 5 April 2016, the subsidiary regained control and physical possession of the farm and resumed regular farm operations.

As discussed in Note 2(a) to the financial statements, as at 31 December 2014, the Group's and the Company's current liabilities exceeded current assets by RMB581,068,000 and RMB520,020,000, respectively. The Group and the Company had a deficit in shareholders' funds of RMB320,707,000 and RMB267,316,000, respectively. The Group incurred a loss after tax of RMB399,584,000 and a total comprehensive loss of RMB378,135,000 for the financial year ended 31 December 2014, and had a negative net operating cash flows of RMB32,695,000 for the financial year ended 31 December 2014.

The matters set out above and in Note 2(a) to the financial statements indicate the existence of a material uncertainty which cast a significant doubt on the Group's and the Company's ability to continue as going concerns. The financial statements of the Group and the Company have been prepared on a going concern basis, which assumes that the Group and the Company will continue in operation at least for a period of 12 months from the balance sheet date. The financial statements of the Group and the Company do not include any adjustments relating to the realisation and classification of asset amounts that may be necessary if the Group and the Company are unable to continue as going concerns. Should the going concern assumption be inappropriate, adjustments would have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to provide for further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No adjustments have been made in the financial statements of the Group and the Company in respect of these.

The ability of the Group and the Company to continue in operation in the foreseeable future and to meet their financial obligations as and when they fall due depend on the restructuring as disclosed in Note 35 to the financial statements. Therefore, we are not able to form an opinion as to whether the going concern basis of presentation of the accompanying financial statements of the Group and the Company is appropriate.

(2) Biological assets

(a) Biological assets as at 31 December 2013

As at 31 December 2014, the carrying amount of the biological assets was RMB41,000. Management had considered the amount as immaterial and had not conducted a physical count of the biological assets.

Management had measured the carrying amount of the biological assets as at 31 December 2014 based on internal estimations using recent market prices for similar assets, which constitutes a departure from the valuation methodology applied by the independent appraiser in valuation of the Group's biological assets in prior years. In prior years, the independent appraiser adopted a market approach in the valuation which considered the recent market prices for similar assets, with adjustments made to market prices to reflect the condition and utility of the appraised assets relative to the market comparative and mortality rate.

We were unable to satisfy ourselves by alternative means concerning the quantity of the biological assets held at 31 December 2014 and their carrying amount as at 31 December 2014.

(b) Biological assets as at 31 December 2013

The Group's biological assets are carried in the statement of financial position at RMB19,906,000. Management carried out a physical count of these assets on a periodic

basis and performed a physical count of these assets as at 31 December 2013. Documents provided by management that purported to support cycle counts of inventories in 2013 did not provide sufficient appropriate audit evidence that the cycle counts had been carried out. Accordingly, we were unable to obtain sufficient appropriate evidence on the changes in physical quantity during the year ended 31 December 2013. Our opinion on the current year's financial statements is affected because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

The disclaimer of audit opinion on the financial statements for the financial year ended 31 December 2013 included a similar matter.

(3) Fair value less costs to sell of property, plant and equipment and prepaid leases and Impairment losses

As described in Note 4 and Note 5, during the financial year ended 31 December 2014, the Group tested property, plant and equipment and prepaid leases for impairment, and recognised an impairment charge of RMB180,097,000 and RMB2,800,000, respectively, being the excess of the carrying amount over the recoverable amount. As at 31 December 2014, the carrying amount of property, plant and equipment and prepaid leases was RMB261,739,000 (Note 4) and RMB8,459,000 (Note 5), respectively.

As at 31 December 2014, the recoverable amount was based on the cash-generating unit fair value less costs to sell, as determined by an independent professional valuer based.

As at 31 December 2014, the carrying amount of the Group's farm structures and office buildings constructed on land leased from third parties ("Collectively-owned Land") and prepaid leases amounted to RMB199,522,000 and RMB816,000, respectively.

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

(1) The land use rights and the Group's farm structures and office buildings above Collectively-owned Land is freely transferable to any third party in the open market based on a legal opinion; and

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

It was assumed that the relevant regulatory documents required for the land transfer had been obtained. In fact, as at 31 December 2015, the Group had yet to enter into transfer contracts in writing with the individual owners of the land.

In the absence of legally binding contractual arrangements and the resultant uncertainty over transferability of Collectively-owned Land, we were unable to satisfy ourselves by alternative means concerning the impairment loss amounts for the year ended 31 December 2014, and carrying amount of these assets as at 31 December 2014.

(4) Trade and other payables

The basis for disclaimer of opinion on the financial statements for the financial year ended 31 December 2013 included lack of supporting accounting documents in respect of trade and other payables of RMB4.7 million brought forward from 2011 related to the purchase of raw materials, payments for tax, feeds used, other operating expenses, raw materials and consumable used and acquisition of property, plant and equipment.

We were not able to carry out auditing procedures in relation to trade and other payables amounting to RMB3.3 million brought forward from 2011 because documentation supporting the transactions were not available. Similarly, we were not able to obtain sufficient appropriate

audit evidence as to the validity, existence and completeness of these trade and other payables of RMB3.3 million carried forward and still existing as at the end of the financial year ended 31 December 2014.

(5) Supporting accounting document

The basis for disclaimer of opinion on the financial statements for the financial year ended 31 December 2013 included lack of supporting accounting documents in respect of the following:

- trade and other receivables amounting to RMB1.6 million as at 31 December 2013;
- acquisition of property, plant and equipment amounting to RMB4 million during the financial year ended 31 December 2013; and
- trade and other payables amounting to RMB8.6 million as at 31 December 2013 in respect of the purchase of raw materials, payments for tax, feeds used, other operating expenses, raw materials and consumable used, and acquisition of property, plant and equipment during the financial year ended 31 December 2013, and the elements making up the income statement, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2013.

We were not able to carry out auditing procedures in relation to the trade and other receivables, acquisition of property, plant and equipment and trade and other payables amounting to RMB0.3 million, RMB4 million and RMB3.1 million, respectively, brought forward from 2013 because documentation supporting the transactions were not available. Similarly, we were not able to obtain sufficient appropriate audit evidence as to the validity, existence and completeness of these assets and liabilities carried forward and still existing as at 31 December 2014.

Our opinion on the current year's financial statements is affected because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

Disclaimer of opinion

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

Other Matter

The independent auditor's report dated 11 June 2014 on the financial statements of the Group and the Company for the financial year ended 31 December 2013 of which we were auditors expressed a disclaimer of audit opinion. The matters included in the auditor's report have a consequential material impact on the opening balances in the Basis for Disclaimer of Opinion paragraph stated above.

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

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and its subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The Annual Report for FY2014 of the Company which will contain the Independent Auditors' Report has been issued to shareholders of the Company and the SGX-ST on 14 June 2016.

BY ORDER OF THE BOARD

Peter Koh Heng Kang, ^{PBM}
Executive Director and Chief Executive Officer
14 June 2016