



OCEANUS GROUP LIMITED

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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 Grant Thornton 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 2013.

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 2013, 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 profit and loss accounts and balance sheets 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) Biological assets

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.

The auditors' report on the financial statements for the year ended 31 December 2012 included a disclaimer of audit opinion on the same matter.

(2) Trade and other payables

We were not able to carry out auditing procedures in relation to the trade and other suppliers amounting to RMB4.7 million brought forward from 2011 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 in 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 RMB4.7 million carried forward and still existing as at the end of the financial year ended 31 December 2013.

The disclaimer of audit opinion on the financial statements for the financial years ended 31 December 2011 and 2012 included a similar matter.

(3) Supporting accounting documents

The Group's operating subsidiaries in the People's Republic of China ("PRC"), namely Oceanus (China) Aquaculture Co., Ltd ("Oceanus China") and Zhangzhou Oceanus Food Co., Ltd ("Zhangzhou") had experienced changes in management in December 2013.

Supporting accounting documents of Oceanus China's Gulei branch for the period from 1 January 2013 to 30 September 2013 and other branches (Lianjiang, Huilai and Zhangpu) for the financial year ended 31 December 2013 were not available to sufficiently explain the underlying transactions.

Accordingly, we were not able to obtain sufficient appropriate audit evidence as to the completeness, existence, accuracy and validity of:

- biological assets loss from mortality amounting to RMB12.3 million during the financial year ended 31 December 2013;
- sales of live marine products amounting to RMB14.2 million during the financial year ended 31 December 2013;
- trade and other receivables amounting to RMB1.6 million as at 31 December 2013;
- purchases of feeds, purchases of biological assets, and administrative and operating expenses amounting to RMB32.4 million, RMB4.7 million and RMB34.2 million respectively;
- acquisition and disposal of property, plant and equipment amounting to RMB4 million and RMB4.2 million, respectively 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.

(4) Property, plant and equipment

During our audit for the financial year ended 31 December 2013, we were not able to access a sea-based farm due to interference from the local community. Consequently, we were unable to carry out auditing procedures necessary to obtain sufficient appropriate evidence on the accuracy, existence and completeness of property, plant and equipment at this farm as at 31 December 2013. As at 31 December 2013, property, plant and equipment at the farm were not used for production and had been fully impaired.

(5) Going concern

As at 31 December 2013, the Group's current liabilities exceeded current assets by RMB83,758,000 (2012 - RMB75,368,000), and the Group incurred a loss after tax of RMB444,662,000 (2012 - RMB555,363,000), and a negative net operating cash flows of RMB130,771,000 (2012 - RMB11,644,000) for the financial year ended 31 December 2013. In addition, as disclosed in Note 19 to the financial statements, the Group has short-term borrowings of RMB12,016,000 (2012 - RMB27,842,000) which are repayable during the year but remains outstanding at the end of the reporting period.

The financial statements have been prepared on a going concern basis which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business.

The ability of the Company and the Group to continue as going concerns for the next twelve months is dependent on the successful issue of the Loans and Warrants as stated in Note 37 to the financial statements. We have not been able to ascertain if this issue will materialise for the Company and the Group to pay their debts as and when they fall due.

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 state of affairs of the Group and of the Company as at 31 December 2013 and the results, changes in equity and the cash flows of the Group for the financial year ended on that date.

Other Matter

The independent auditor's report dated 12 July 2013 on the financial statements of the Group and the Company for the financial year ended 31 December 2012 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.

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 have been properly kept in accordance with the provisions of the Act.”

The Annual Report for FY2013 of the Company which will contain the Independent Auditors’ Report has been issued to shareholders of the Company and the SGX-ST on 13 June 2014.

By Order of the Board

Dr. Ng Cher Yew
Executive Chairman

13 June 2014