



Transformational Business



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CORPORATE PROFILE

Oceanus Group, listed on the Mainboard of the Singapore Exchange (“SGX”) in 2008, is global corporation listed on the SGX, with diverse business portfolios ranging from aquaculture, distribution, services to innovation.

Oceanus harnesses synergies from its ecosystem comprising diversified businesses across four growth pillars – Aquaculture, Distribution, Services and Innovation. These synergistic growth pillars allow for cross-selling of opportunities amongst its business segments. They are also highly scalable, offering flexibility for the Group to build upon its existing businesses for expansion.

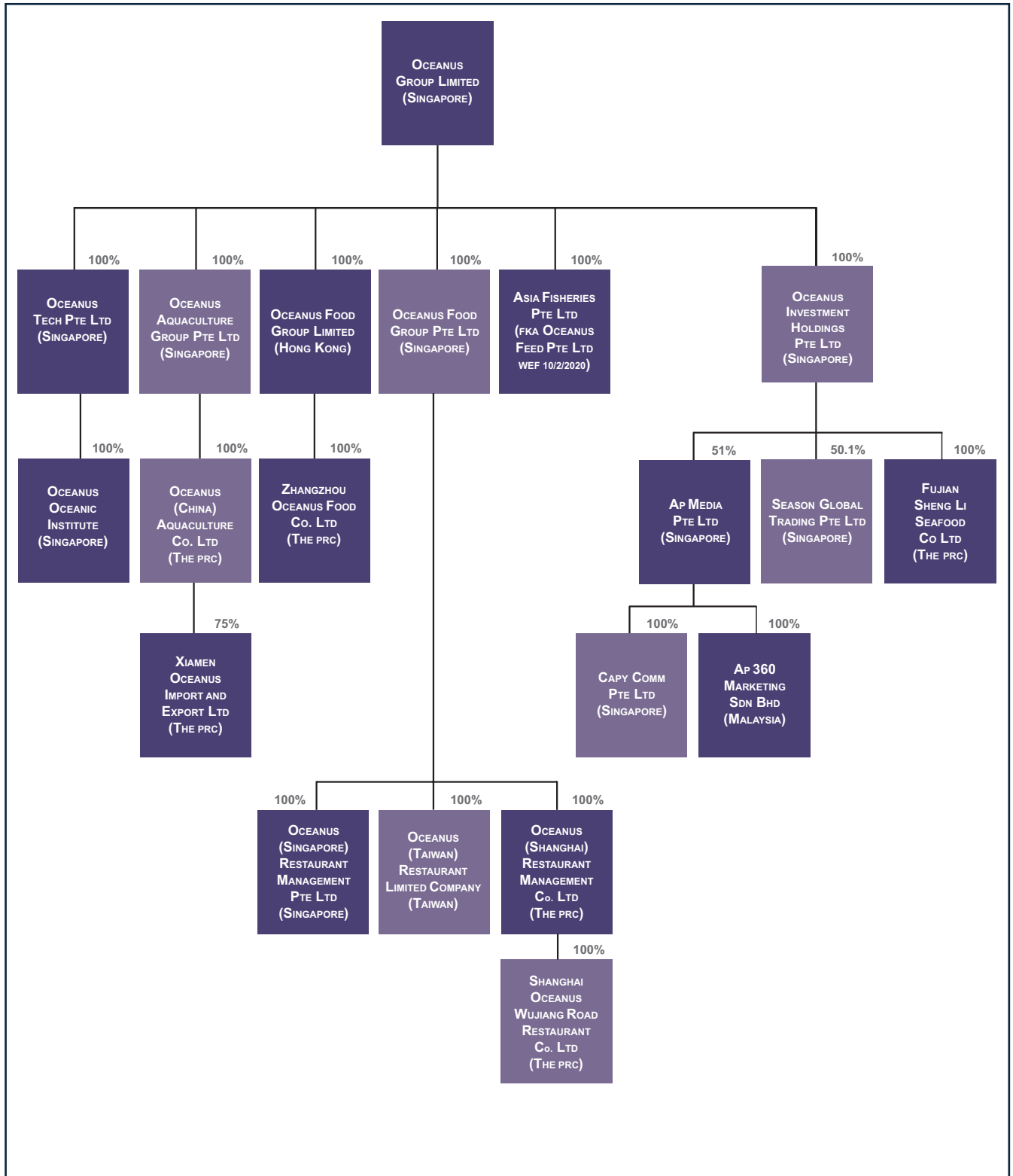
The four pillars of growth driving Oceanus Group are as set out below:

- Aquaculture – seafood farming assets in both China, Australia and Singapore;
- Distribution – growing network across countries such as China, Southeast Asia, South Africa, Korea and USA;
- Services – branding and marketing consultancy, interactive and 360VR, events management, online broadcasting, aquaculture consultancy; and
- Innovation – R&D partners with both local and overseas institutions.

With a well-rounded and dedicated management team, diversified business model and zero debt, Oceanus Group is on a springboard towards sustainable value creation, with a vision of becoming a key player in the seafood industry addressing global food security.

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

CORPORATE STRUCTURE



CEO'S STATEMENT

Dear Shareholders,

On behalf of the Management, it is my pleasure to present Oceanus Group Limited's ("**Oceanus**") annual report for the financial year ended December 31, 2019 ("**FY2019**").

FY2019 has been an exciting year for the Group, as we made significant progress in growing our business through the expansion of our four growth pillars – Aquaculture, Distribution, Services and Innovation. Since the Group's successful restructuring exercise in December 2017, we have turned our focus towards building up our foundation through investments in synergistic businesses and partnerships with the aim of creating stronger revenue streams.

FINANCIAL REVIEW

Driven by the Group's expanded revenue streams through our four growth pillars, we recorded a revenue of RMB49.0 million for FY2019, more than double from RMB21.0 million in FY2018.

The Group's income diversification strategy has gained traction in FY2019 with revenue from the Distribution and Services segments contributing to 90.0% of the Group's total revenue. The shift in contribution was partly due to the expansion of the Group's Distribution segment across several new geographical markets.

During the year, the Group's Distribution segment expanded its product range to include various other FMCG products. Our geographical reach within this segment has also expanded to countries such as Japan, Taiwan, Thailand and Korea. Bolstered by the expansion, the segment generated total revenue amounting to RMB33.0 million in FY2019, which represents a significant increase of RMB30.9 million from RMB2.1 million recorded in FY2018.

The Group's Services segment also performed exceptionally well. The Group's new award-winning subsidiary, AP Media, broke new grounds and secured major projects in respect of the 2019 National Day Parade and the Singapore Bicentennial multimedia exhibition project at the National Gallery of Singapore.

While the Group's business expansion strategy had paid off with a stronger topline, the Group recorded an overall net loss of RMB19.8 due to the higher business expansion costs incurred during the year.

OCEANUS 2.0

The Group made significant headway in building the pillars to support our next phase of growth, beyond a "one product, one country" company. From exploring strategic investments to joint ventures, to mergers and acquisitions, the Group now has over 2000 products and services provided to customers across 14 countries.

Aquaculture

In September 2019, the Group commenced steps to upgrade its aquaculture business model, which the aim to achieve long-term and recurring income from its farms. Another key benefit from this new approach includes reduction of the Group's exposure to volatile abalone prices, particularly in the face of uncertain times brought on by the onset of the COVID-19 pandemic. The Group will also be able to remove significant farm operation costs and realise positive operating cash flows from its portfolio of four farm plots covering an area of 39.1 hectares with a total capacity of 6,074 tanks.

Subsequent to FY2019, in February 2020, the Group established a new arm under Asia Fisheries Pte Ltd. ("**Asia Fisheries**"). This is to build a business that reaches further down the aquaculture value chain by bringing quality wild and farmed seafood from Indonesia and Thailand to Singapore, USA, UK, Australia and Japan.

Distribution

The Distribution business has grown rapidly over the year by leveraging on the Group's existing corporate presence and trading network globally. From primarily engaged in the distribution of processed seafood and other products, the Group has currently 2000 over SKUs in our product portfolio.

In January 2020, Oceanus entered into a strategic partnership with Season Hong International Trading Limited ("**Season Hong**"), a FMCG conglomerate in China and South East Asia with over 40 years in the FMCG distribution segment in China. This partnership culminated in the establishment of a subsidiary Season Global Trading. Through the partnership, the Group will benefit from Season Hong's extensive experience, track record and sales network, gaining access to new geographical markets and wider customer base.

CEO'S STATEMENT

Services

Our Services segment includes consultancy services relating to aquaculture-related technologies, marketing and branding services as well as leasing of aquaculture farm plots, providing the Group with a diversified revenue stream.

In March 2019, Oceanus bolstered our marketing capabilities with the acquisition of AP Media Pte Ltd ("**AP Media**") to support the Group's marketing needs and while contributing to the Group through third-party consultancy projects. AP Media achieved commendable success in the multimedia space in 2019 and secured projects in respect of the National Day Parade and the Singapore Bicentennial multimedia exhibition at the National Gallery of Singapore.

Innovation

Oceanus holds firm to the idea that research and development is the key to remaining at the forefront of the industry and continues to engage educational institutions and agencies to collaborate on cutting-edge projects to surpass the boundaries of aquaculture.

In June 2019, the Group entered into a memorandum of understanding with Temasek Polytechnic, to collaborate with the Aquaculture Innovation Centre ("**AIC**") consortium in aquaculture research activities.

We are currently collaborating with Temasek Polytechnic and Republic Polytechnic on improving the growth and mortality rate of juvenile abalones. At the same time, we will continue to engage with potential partners to further our research and development efforts.

RECOGNITION OF GROWTH

At this juncture, I would like to share that we are deeply encouraged to be acknowledged by the industry for our growth, and commitment to sustainability.

We were honoured to be conferred a top award at ASEAN Business Awards 2019 by Thailand's Deputy Prime Minister, in recognition of Oceanus' high growth in the region, at the 35th ASEAN Summit held in Bangkok. This renowned award recognises enterprises that have contributed to the growth and prosperity of the ASEAN community and is a strong endorsement of our team's collective efforts to steer the company back in the right direction, at a regional level. This will spur us on to further harness synergies from our ecosystem spanning across four growth pillars of Aquaculture, Distribution, Services and Innovation.

LOOKING AHEAD

Whilst businesses around the world expects a challenging year ahead, due to macroeconomic and geopolitical uncertainties, as well as the COVID-19 pandemic, Oceanus has been well prepared since its successful restructuring in 2017. This is the result of the Group's efforts over the last few years in implementing cost saving measures, diversification strategies and acquisitions of synergistic undervalued businesses. It is also worth noting that Oceanus is in an advantageous position of having zero debt, whereas many other companies have already entered this crisis over-leveraged. Indeed, this global crisis can be viewed as a unique opportunity for Oceanus to move against the tide and to greater heights.

ACKNOWLEDGEMENT

I would like to take this opportunity to extend the Board's appreciation to Non-Independent Non-Executive Director, Mr Jason Aleksander Kardachi, for his commitment and contribution over the last three years with the Group. We would also like to welcome Mr Eugen Chua who has been appointed as Independent Non-Executive Director of the Company and as Chairman of the Remuneration Committee with effect from October 2, 2019. Mr Chua brings with him extensive experience in the capital markets, which will be beneficial for the Group as we continue on our business transformation.

On behalf of the Board, I thank the Oceanus family for their dedication and exceptional teamwork in laying the groundwork for the Group's growth plans. Also, I would like to extend my sincere gratitude to our shareholders, partners and business associates for their confidence and unwavering support to Oceanus.

Yours Sincerely,

Peter H.K. Koh. PBM
Chief Executive Officer

**BUILDING A
SYNERGISTIC
AQUACULTURE
ECOSYSTEM
DIVERSIFYING
BEYOND FARMING**

OCEANUS' FOUR PILLARS OF GROWTH



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 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.



Oceanus Fisheries Pte Ltd ("Oceanus Fisheries")

Oceanus Fisheries focuses on the expanding the Group's aquaculture business further down the value chain, by bringing quality wild-caught and farmed seafood products to customers around the world, including customers in Singapore, USA, UK, Australia and Japan.

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 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' FOUR PILLARS OF GROWTH



Season Global Trading (“Season Global”)

In partnership with a Chinese FMCG conglomerate, the establishment of subsidiary Season Global Trading in January 2020 allows the Group to expand its overall offering to over 2000 FMCG products, selling to a large customer networks in China, Middle East as well as Asia Pacific. Season Global Trading is also expanding its distribution capabilities through the creation of an e-commerce trading platform.

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 (“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 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.

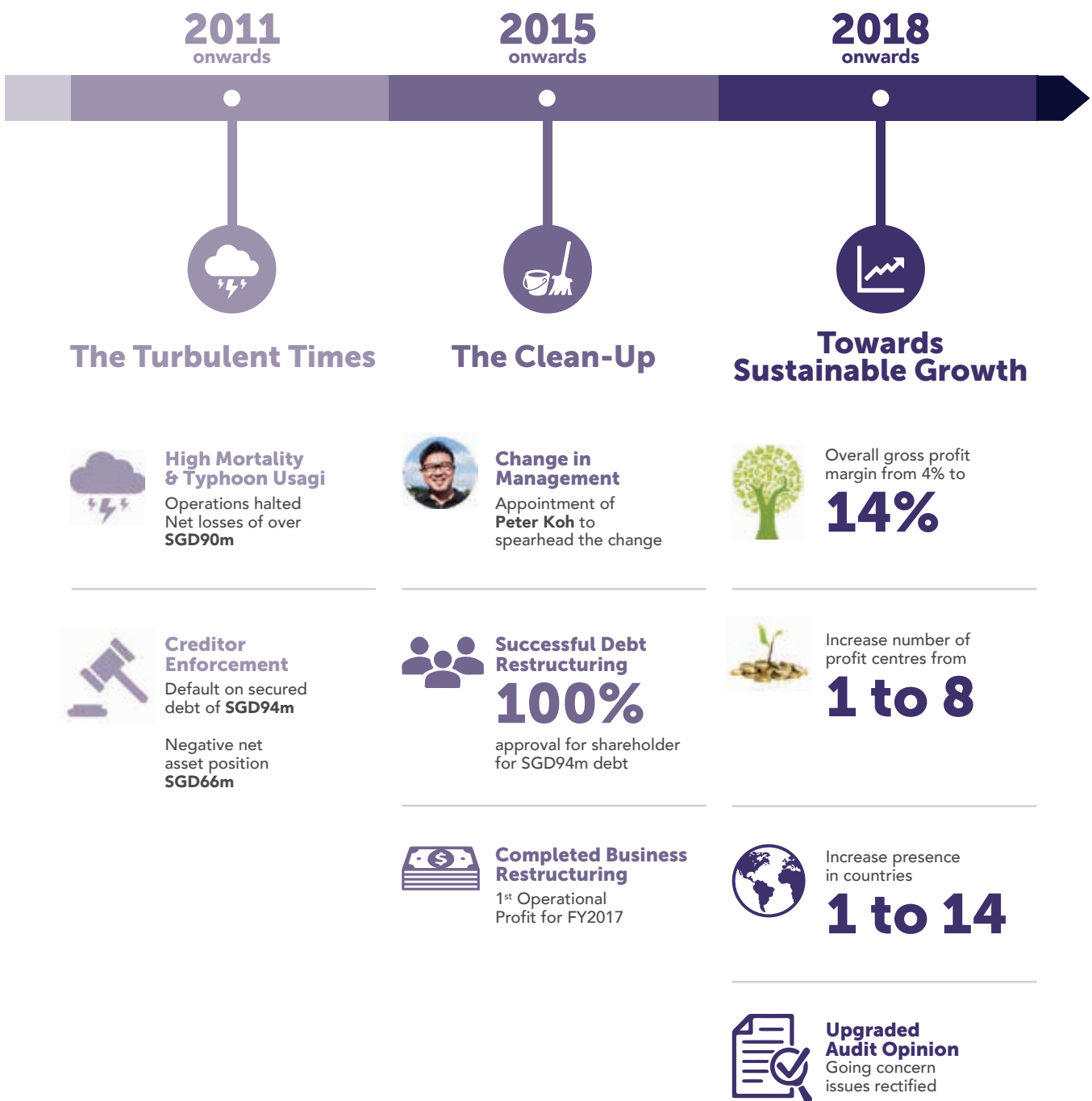


AP Media Pte. Ltd. (“AP Media”)

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.)

OCEANUS' FOUR PILLARS OF GROWTH



BOARD OF DIRECTORS

BOARD OF DIRECTORS

Mr Peter H.K. Koh, PBM

Executive Director
and Chief Executive Officer



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.

BOARD OF DIRECTORS

Mr Edward Loy Chee Kim

Independent, Non-Executive Director



Mr Edward Loy was appointed to the Board as an Independent, Non-Executive Director on 3 May 2018. Mr Loy is the Chairman of the Audit Committee. He was last re-elected on 31 July 2019.

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.

BOARD OF DIRECTORS

Mr Eugen Chua

Independent, Non-Executive
Director



Mr. Eugen Chua was appointed to the Board as an Independent, Non-Executive Director on 2 October 2019. Mr. Chua is Chairman of the Remuneration Committee and a member of the Nominating Committee.

Mr. Chua has almost two decades of experience across a range of industries, holding key finance and investment positions. He is currently the Chief Investment Officer of CFAM Pte. Ltd., where he manages a portfolio of both public and private market investments across multiple asset classes. Before joining CFAM, Mr. Chua held senior positions in several financial advisory and private equity firms. He was previously Executive Director at Cap One Financial Limited, and Chief Financial Officer of Fulton Capital Management Limited, where he was engaged in the core disciplines of corporate finance and asset management. Prior to that, Mr. Chua served for close to a decade as the Chief Financial Officer of D'League Pte. Ltd., a leading retailer and distributor of luxury brands including Richard Mille and Boucheron.

Mr. Chua is a Chartered Accountant (Singapore), an ASEAN Chartered Professional Accountant, as well as a Chartered Valuer and Appraiser. He graduated with a Bachelor of Accountancy (Hons) from Nanyang Technological University and a Master of Liberal Arts from Harvard University.

BOARD OF DIRECTORS

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 31 July 2019. Mr Kee is the Chairman of Nominating Committee and a member of each of the Audit Committee and the Remuneration Committee.

Mr Kee is currently the Managing Partner of 125 Capital LLP, an investment management company and a Director of Kitty Hawk Natural Resources Pte. Ltd. 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 was the Independent Director of SGX-listed Serrano Holdings (from May 2018 to October 2019) and Yuuzoo Corp (from December 2014 to May 2015).

Mr Kee graduated with a Bachelor of Business Administration from the National University of Singapore.

BOARD OF DIRECTORS

Mr Stephen Lee

Non-Executive Director



Mr Stephen Lee was appointed as a Non-Executive Director of the Company on 10 October 2012 and was last re-elected on 31 July 2019. 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

SENIOR MANAGEMENT

Mr Duane Ho

Chief Financial Officer



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.

CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTOR AND CEO

Peter Koh Heng Kang

INDEPENDENT DIRECTORS

Edward Loy Chee Kim

Kee Poir Mok

Eugen Chua

NON-EXECUTIVE DIRECTORS

Stephen Lee

AUDIT COMMITTEE

Edward Loy Chee Kim (Chairman)

Kee Poir Mok

Stephen Lee

NOMINATING COMMITTEE

Kee Poir Mok (Chairman)

Stephen Lee

Eugen Chua

REMUNERATION COMMITTEE

Eugen Chua (Chairman)

Kee Poir Mok

Stephen Lee

COMPANY SECRETARIES

Raymond Lam Kuo Wei

Leh Si Yuan

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Singapore 048623

BANKERS

DBS Bank Ltd

Bank of China

AUDITOR

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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**” or the “**Directors**”) and Management of Oceanus Group Limited (the “**Company**”) are committed to maintaining a high standard of corporate governance (including accountability, transparency and sustainability) and business conducts that balancing the interests of the Company’s stakeholders. The Group is also committed to maintaining a high standard of accountability to the shareholders of our Company by complying with the benchmark set by the Code of Corporate Governance 2018 (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 and procedures that have been adopted by the Group with specific reference to the principles and provisions 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 there are deviation from the Code, appropriate explanations are provided.

BOARD MATTERS

Principle 1: The Board’s Conduct of Affairs

The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

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 (if applicable) 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;
- investment and divestment proposals;
- funding decisions of the Group;
- nomination of Board for appointment to the Board and appointment of key personnel;
- quarterly (if applicable) 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.

All other matters are delegated to board committees (“**Board Committees**”) whose actions are monitored and endorsed

CORPORATE GOVERNANCE REPORT

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. Where there are circumstances of conflict of interest/possible conflict of interest on any transaction/proposed transaction with the Company, the Director(s) involved are required to disclose his/her interests in a timely manner and refrained from participating in the discussions on the matter.

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 2019 are, as follows:

	Board	AC	NC	RC
Number of meetings held	4	4	1	1
	Number of meetings attended			
Peter Koh Heng Kang	4	N.A.	N.A.	N.A.
Stephen Lee	4	4	1	1
Jason Aleksander Kardachi ⁽¹⁾	1	N.A.	0	0
Kee Poir Mok	4	4	1	1
Edward Loy Chee Kim	4	4	N.A.	N.A.
Wong Ann Chai ⁽²⁾	N.A.	N.A.	N.A.	N.A.
Eugen Chua ⁽³⁾	1	N.A.	N.A.	N.A.

Notes:

(1) Mr Jason Aleksander 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 Wong Ann Chai was resigned as the Independent Non-Executive Director (“INED”) and Chairman of the NC and RC of the Company on 31 January 2019.

(3) Mr Eugen Chua was appointed as the INED, Chairman of the RC and a member of the NC of the Company on 2 October 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. Mr Eugen Chua was the incoming director during the financial year under review. As the first-time Director to the listed issuer, Mr Eugen Chua had attended the relevant Listed Entity Director training courses which were organised by the Singapore Institute of Director as prescribed by the SGX-ST.

In order to ensure that the Board is able to fulfil its responsibilities, Management provides the Board 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.

CORPORATE GOVERNANCE REPORT

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.

In furtherance of their duties, the Directors may seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil their duties and responsibilities. The appointment of such independent professional advisers is subject to the approval of the Board.

The Company Secretaries attend all Board and Board Committees' meetings. Together with Management, the Company Secretaries are responsible for ensuring that appropriate Board procedures are followed and that the requirements of the Act and the provisions in the Mainboard Rules are complied with. The appointment or removal of the Company Secretaries is a matter for the Board as a whole.

The Directors are briefed either during Board and Board Committee meetings or by the Company Secretaries of these changes especially where these changes have an important bearing on the Directors' disclosure obligations.

Principle 2: Board Composition and Guidance

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

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-Independent Non-Executive Director
Mr Edward Loy Chee Kim	Independent Non-Executive Director
Mr Kee Poir Mok	Independent Non-Executive Director
Mr Eugen Chua	Independent Non-Executive 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 three (3) Independent Non-Executive Directors, namely Mr Edward Loy Chee Kim, Mr Kee Poir Mok and Mr Eugen Chua, one (1) Executive Director, namely Mr Peter Koh Heng Kang, and one (1) Non-Independent Non-Executive Director, 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.

Mr Kee Poir Mok, an Independent Non-Executive Director of the Company has expressed his intention to retire as a Director of the Company at the conclusion of the Company's forthcoming Annual General Meeting ("AGM"). To continue with the Company's good governance practice and to maintain a strong element of independence on the Board, along with a diverse skill set, the Company is proposing the appointment of Mr Zahidi Bin Abd Rahman as an Independent Director of the Company, Chairman of the NC and a member of both the AC and RC. Detailed information regarding Mr Zahidi Bin Abd Rahman can be found under the section "Additional Information on New Director and Directors Seeking Re-election". Subsequent to the passing of the resolution on the appointment of Mr Zahidi Bin Abd Rahman by the Shareholders and with the board structure as at the date of this Annual Report, the Board considers that there is a strong independent element retained in the Board as the numbers of Independent Directors represent majority of the Board. Non-executive Directors of the Company also make up a majority of the Board.

The Board considers an "Independent Director" as one who is independent in conduct, character and judgement, and has no relationship with the Company, its related companies, its 5% shareholders or its officers who could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business 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 provisions as set out in the Code. The

CORPORATE GOVERNANCE REPORT

Independent Directors have confirmed that they do not have any relationship with the Company or its related companies, or its substantial shareholders, 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 of the view that Mr Edward Loy Chee Kin, Mr Kee Poir Mok and Mr Eugen Chua are independent and satisfied that there is no other relationship which would affect their independence.

Consideration is given to Guideline 2.4 of the Code of Corporate Governance 2012 (continues to apply until 1 January 2022), which states that 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, the NC is charged with the responsibility of monitoring and determining if a director remains independent in accordance with the Code. There are no Independent Directors who have served on the Board beyond nine (9) years.

The Board, through the NC, has examined its structure, size and composition and is of the view that it is an appropriate size for effective decision-making, taking into account the Company's values, mission, strategic and business plan. The Nominating Committee is also of the view that the current Board comprises persons who as a group possesses core competency 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.

Principle 3: Chairman and Chief Executive Officer

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

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

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- 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 matters that were deliberated at the Board meetings where necessary.

Principle 4: Board Membership

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The NC of the Company currently comprises two (2) Independent Non-Executive Directors, namely Mr Kee Poir Mok and Mr Eugen Chua and one (1) Non-Independent Non-Executive Director, namely Mr Stephen Lee. Mr Kee Poir Mok is the Chairman of NC.

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

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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 Chief Executive Officer) to retire from office at least once every three years at an 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 AGM. 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 would retire at the forthcoming AGM pursuant to Regulation 111 of the Company's Constitution and eligible for re-election. Mr Eugen Chua would retire at the forthcoming AGM pursuant to Regulation 121 of the Company's Constitution and eligible for re-election. Mr Kee Poir Mok has expressed his intention of retirement via a notice to the Board that he does not wish to stand for re-election as a Director at the forthcoming AGM. The Board has accepted the notice and upon the conclusion of the AGM, Mr Kee Poir Mok will cease to be the Independent Non-Executive Director of the Company and consequently shall cease to be the Chairman of NC and a member of both the AC and RC. Mr Eugen Chua has expressed his willingness to be re-elected as Director at the forthcoming AGM.

As Mr Kee Poir Mok is retiring as the Director of the Company upon the conclusion of the AGM, the Company is proposing the appointment of one (1) new Director, Mr Zahidi Bin Abd Rahman, as an Independent Non-Executive Director for the approval of the Company's Shareholders in the forthcoming AGM. Detailed information regarding Mr Zahidi Bin Abd Rahman can be found under the section "Additional Information on New Director and Directors Seeking Re-election".

Mr Eugen Chua was appointed as an Independent of Non-Executive Director for the financial year under review. In accordance with Regulation 121 of the Company's Constitution, the Directors shall have power at any time and from time to time to appoint any other qualified person as a Director to fill a casual vacancy or as an addition to the Board. The Chairman of the NC or any member of the NC was usually tasked to conduct an interview with the new candidate before the appointment was tabled for the NC and Board's further discussion. The Board, through the recommendation by the NC, will access and consider the new appointment in the aspect of Board diversity, including diversity of skills, experiences, gender, age, ethnicity and other relevant factors. The new appointed Director will be required to stand for re-election at the next AGM of the Company pursuant to the Company's Constitution.

The Code requires listed companies to disclose in its annual report the other listed company directorship and principle commitments of each Director. In determining whether each Director is able to devote sufficient time to discharge his duties, the Board has taken cognizance of the Code requirement. 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.

The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs and is satisfied that these Directors have been able to devote adequate time and attention to fulfil their duties as Directors of the Company, notwithstanding their multiple board representations and other principal commitments. As such, 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. There is no alternate director appointed to the Board.

The dates of appointment, last re-election and directorships of the Directors in other listed companies and other principal commitment are set out below: -

Name of Director	Date of Appointment	Last Re-Election Date	Directorships in Other Listed Companies		Other Principal Commitments
			Present	Past Three Years	
Peter Koh Heng Kang	11 October 2013	-	<u>Singapore</u> • Biolidics Limited	-	<u>Singapore</u> Director of: • Oceanus Aquaculture Group Pte. Ltd. • Oceanus Food Group Pte.

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Name of Director	Date of Appointment	Last Re-Election Date	Directorships in Other Listed Companies		Other Principal Commitments
			Present	Past Three Years	
					Ltd. • Oceanus (Singapore) Restaurant Management Pte. Ltd. • Oceanus Tech Pte. Ltd. • Oceanus Investments Holdings Pte. Ltd. • Copy Comm (S) Pte. Ltd. • Oceanus Opal (S) Pte. Ltd. • Pete's Creation International Pte. Ltd. • SMM Group Pte. Ltd. • SMM International Investments Pte. Ltd.
Stephen Lee	10 October 2012	31 July 2019	-	-	<u>Singapore</u> Director of: • Oceanus Aquaculture Group Pte. Ltd. • Oceanus Food Group Pte. Ltd. <u>Overseas</u> Director of: • AIF Capital Limited (Managing Director) • AIF Capital Asia III GP Limited • AIF Capital Asia Management Ltd. • AIF Capital III Designated Limited Partner, Ltd • AIF Capital Innovations Limited • Broad Harvest Holdings Limited • Oceanus Food Group Limited • Able Surge Holdings Limited • Adorer Limited • AIF Capital Asia IV GP Limited • AIF Capital Asia Management IV, Ltd. • Aofeng Hi-Tech Company

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Name of Director	Date of Appointment	Last Re-Election Date	Directorships in Other Listed Companies		Other Principal Commitments
			Present	Past Three Years	
					Limited <ul style="list-style-type: none"> • Aosheng Hi-Tech Limited (Hong Kong Company) • Aosheng Hi-Tech Limited (Samoa) • Jiangsu Aosheng Composite Materials Hi-Tech Co., Ltd • Scenery Sharp Investment Limited • Sonic Robust Limited • Tenda Holding Limited • X-Fiper New Material Co., Ltd • Zebra Holding Limited • Zeeman Limited • AIF Capital China Limited • AIF Capital Partners, Ltd. • Good View Group Limited
Kee Poir Mok	31 July 2013	31 July 2019	-	<u>Singapore</u> <ul style="list-style-type: none"> • Serrano Limited 	<u>Singapore</u> Managing Partner of: <ul style="list-style-type: none"> • 125 Capital LLP
Edward Loy Chee Kim	3 May 2018	31 July 2019	-	-	<u>Overseas</u> Managing Director of: <ul style="list-style-type: none"> • Kone Elevator (M) Sdn Bhd
Eugen Chua	2 October 2019	-	-	-	<u>Singapore</u> Chief Investment Officer of : <ul style="list-style-type: none"> • CFAM Pte. Ltd Director of: <ul style="list-style-type: none"> • C1 Investments Pte. Ltd. • EMEC Holdings Pte. Ltd.

Principle 5: Board Performance

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

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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 Board has not engaged any external facilitator to conduct the assessment of the performance of the Board and each individual Director.

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, all Directors completed a board evaluation questionnaire designed to seek their view on various aspects of the Board and Board Committees' performance as described above. All Directors also completed a Directors' Peer Evaluation and Self-Assessment Questionnaire in relation to the assessment of individual Director's contribution. 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.

REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The RC of the Company currently comprises two (2) Independent Non-Executive Directors, namely Mr Eugen Chua and Mr Kee Poir Mok and one (1) Non-Independent Non-Executive Director, namely Mr Stephen Lee. Mr Eugen Chua is the Chairman of the RC. The RC has written terms and reference that describe the responsibilities of its members.

Subject to the Shareholders' approval at the forthcoming AGM, the Company is proposing for Mr Zahidi Bin Abd Rahman as the new member of RC subsequent to his appointment as a Director of the Company. Detailed information regarding Mr Zahidi Bin Abd Rahman can be found under the section "Additional Information on New Director and Directors Seeking Re-election".

The roles and functions of the RC are as follows:

- to recommend to the Board a framework of remuneration for the directors and key management personnel;
- to determine specific remuneration packages for each director as well as for the key management personnel;
- 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 management personnel's 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

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- 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.

Principle 7: Level and Mix of Remuneration

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

In setting remuneration packages for Directors, the RC will review that the remuneration is adequately but not excessively remunerated as compared to the industry and comparable companies. The Company understand an appropriate remuneration could attract, retain and motivate the directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.

The remuneration packages for Executive Director 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 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 8: Disclosure on Remuneration

The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

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.

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The breakdown, showing the level and mix of each individual Director's remuneration in percentage term for the financial year ended 31 December 2019 paid by the Group, is stated as follows:

Remuneration Band and Name of Director / CEO	Base/Fixed salary	Fees	Variable or performance benefits related income/Bonus	Other Benefits
S\$250,000 to below S\$500,000				
Peter Koh Heng Kang	78%	-	7%	15%
Below S\$250,000				
Kee Poir Mok	-	100%	-	-
Stephen Lee	-	100%	-	-
Jason Aleksander Kardachi ⁽¹⁾	-	100%	-	-
Edward Loy Chee Kim	-	100%	-	-
Wong Ann Chai ⁽²⁾	-	100%	-	-
Eugen Chua ⁽³⁾	-	100%	-	-

Notes:

- (1) Mr Jason Aleksander 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 Wong Ann Chai was resigned as the Independent Non-Executive Director ("INED") and Chairman of the NC and RC of the Company on 31 January 2019.
- (3) Mr Eugen Chua was appointed as the INED, Chairman of the RC and a member of the NC of the Company on 2 October 2019.

N.A. = Not applicable

The top key management personnel (who were not Director or CEO) of the Group during the financial year ended 31 December 2019:

- Robert Koh Keng Guan - Operations Director (China Operations)
(Retired with effect from 2 October 2019)
- Ho Jun How Duane - Chief Financial Officer ("CFO")

Mr Robert Koh Keng Guan was on unpaid leave from 1 January 2019 to 2 October 2019. He has retired as Operations Director (China Operations) of the Company with effect from 2 October 2019. The remuneration paid to the CFO for the financial year ended 31 December 2019 was fell within the bands of S\$250,000.

The remuneration of the Directors, the CEO and the 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.

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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.

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 2019. Mr Robert Koh Keng Guan has retired from the position with effect from 2 October 2019.

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

ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

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.

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 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. 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.

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

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significant policies and procedures and highlight all significant matters to the Board and the AC.

The Group had implemented a manual at its abalone farms, i.e. the “Farm Safety and Risk Management Plans for Oceanus Farms” 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

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.

The CFO is responsible for the Company’s financial and management accounting, treasury, taxation and any other corporate compliance matters. Prior to his appointment, Together with CEO, the CFO was also responsible the Company’s internal controls and risk management of the Company.

The Board, with the concurrence of the AC, is therefore of the opinion that the Group’s internal controls including financial, operational, compliance, information technology controls and risk management systems were adequate and effective in its current business environment.

Principle 10: Audit Committee

The Board has an Audit Committee which discharges its duties objectively.

The AC of the Company currently comprises two (2) Independent Non-Executive Directors, namely Mr Edward Loy Chee Kim and Mr Kee Poir Mok and one (1) Non-Independent Non-Executive Director, namely Mr Stephen Lee. Mr Edward Loy Chee Kim is the Chairman of the AC.

Subject to the Shareholders’ approval at the forthcoming AGM, the Company is proposing for Mr Zahidi Bin Abd Rahman as the new member of AC subsequent to his appointment as a Director of the Company. Detailed information regarding Mr Zahidi Bin Abd Rahman can be found under the section “Additional Information on New Director and Directors Seeking Re-election”.

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);

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- 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;
- 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 annually 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;
- 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;

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- 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;
- reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance, information technology controls and risk management systems (such review can be carried out internally or with the assistance of any competent third parties); and
- reviewing the assurance from the CEO and the CFO on the financial records and financial statements.

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 Company's Compliance Department will reconcile both compliance and internal audit function of the Company/Group. For the avoidance of doubt, the Compliance Department will report to the Company's CEO; and on the other hand, report the internal audit function to the AC. Taking into consideration of the Company's current size, the combination of compliance and internal audit function was appropriate. The Internal Audit has unfettered access to all the Group's documents, records, properties and personnel, including access to the AC.

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

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 and Compliance Department. 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 and Compliance Department 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 and Compliance Department. Based on the reports submitted by the external auditors and Compliance Department 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.

For the financial year ended 31 December 2019, the aggregate amount of the agreed audit and non-audit fees to be paid to RSM is S\$168,000 and S\$8,000. 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 (when read with Rule 716) and Rule 717 of

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the SGX-ST Listing Manual in relation to its auditing firms for financial year ended 31 December 2019.

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.

No former partner or director of the Company's existing auditing firm or Audit Corporation is a member of the AC.

SHAREHOLDERS RIGHTS AND ENGAGEMENT

Principle 11: Shareholder Rights and Conduct of General Meetings

The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

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).

The Board and the Board Committees and CEO as well as the external auditors will be present and on hand to address all issue raised at the AGM. While the AGM of the Company is a principal forum for dialogue and interaction with all Shareholders, the Company will consider use of other forums such as analyst briefings as and when applicable. Except for Mr Edward Loy Chee Kim, all Directors have attended the 2019 AGM.

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.

Separate resolutions are proposed at general meetings for each distinct issue. All resolutions are put to vote by poll in the presence of independent scrutineer. Votes cast, for or against, and the respective percentages on each resolution are announced via SGXNET on the same day of the general meeting.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividend will depend on the Group's earnings, financial position, results of operations, capital needs, plans for expansion and other factors that the Board may deem appropriate. The Board had not declared or recommend dividend payment for FY2019 as the Company was not profitable for FY2019.

Principle 12: Engagement with Shareholders

The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogue to allow shareholders to communicate their views on various matters affecting the Company.

CORPORATE GOVERNANCE REPORT

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 (if applicable) 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 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.

The Company endeavours to communicate regularly and effectively with the Shareholders. Currently, the Company does not have an investor relations policy. However, Shareholders are encouraged to visit the Company's website at www.oceanus.com.sg for information of the Company. There is a dedicated investor contact in the Company's website where the Shareholders are encouraged to call or write to the Company if they have questions. The investor relations representatives will respond to the queries and emails requesting information promptly.

Managing Stakeholders Relationships

Principle 13: Engagement with Stakeholders

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

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 (if applicable), 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 (if applicable) 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;

CORPORATE GOVERNANCE REPORT

4. press releases on major developments of the Company; and
5. the Company's website at www.oceanus.com.sg through which shareholders can access information on 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.

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 (if applicable) 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.

CORPORATE GOVERNANCE REPORT

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 2019 or entered into since the end of the previous financial year ended 31 December 2018.

SUSTAINABILITY REPORTING

The Company has published its sustainability report ("SR") since the financial year ended 31 December 2017 and such reports are made available to shareholders on the SGXNET and the Company's website.

A detailed SR has been prepared with reference to the Global Reporting Initiative ("GRI") Standards which represent the global best practices for reporting on economic, environmental and social topics. The financial year of reporting for the SR falls within the financial year ended 31 December 2019 and would include data and information from 1 January 2019 to 31 December 2019. Further information on our overall sustainability performance will be released and be available at the Company's website and on the SGXNET at a timeline as stipulated by the SGX-ST.

USE OF PROCEEDS

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 31 May 2020, the Company has utilized the proceeds for the following purposes:

Intended Used	Amount Allocated (S\$'000)	Amount Utilised (S\$'000)	Balance Amount (S\$'000)
Working Capital Requirements	4,950	-	4,950
Repayment of Existing Debt	1,050	1,050	-
Total	6,000	1,050	4,950

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 NEW DIRECTOR AND 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 Zahidi Bin Abd Rahman (New Director) and Mr Eugen Chua as set out in Appendix 7.4.1 of the Main Board Rules is set out below:

	MR ZAHIDI BIN ABD RAHMAN (NEW DIRECTOR)	MR EUGEN CHUA
Date of Appointment	At the forthcoming Annual General Meeting	2 October 2019
Date of last re-appointment	N.A.	N.A.
Age	59	41
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Upon the recommendation of the Nominating Committee, which had reviewed the qualifications and experiences of Mr Zahidi, the Board of Directors approved his appointment as an Independent Non-Executive Director of the Company.	The re-election of Mr Eugen Chua as the Independent Director be/was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration Mr Chua'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
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Director, Chairman of the Nominating Committee and member of the Audit Committee and the Remuneration Committee	Independent Non-Executive Director, Chairman of the Remuneration Committee and a member of the Nominating Committee
Professional qualifications	<ol style="list-style-type: none"> 1) Bachelor of Arts (Arch. Studies), National University of Singapore 2) Bachelor of Arts (Hons), National University of Singapore 	<ol style="list-style-type: none"> (1) ASEAN CPA, ASEAN Chartered Professional Accountant Coordinating Committee (2) Chartered Valuer and Appraiser, Institute of Valuers and Appraisers of Singapore (3) Chartered Accountant (Singapore), Institute of Singapore Chartered Accountants (4) Certificate in General Insurance, Singapore College of Insurance (5) Certificate in Reinsurance, Singapore College of Insurance (6) Energy Innovation and Emerging Technologies Professional Certificate, Stanford Center for Professional Development (7) Professional Certificate – Mergers & Acquisitions, New York Institute of Finance (8) Professional Chinese in Finance and Accounting Certificate, Confucius Institute, Nanyang Technological University (9) Capital Markets and Financial Advisory Services Modules 3, 4A, 5, 8 and 8A
Working experience and occupation(s) during the past 10	<u>1986 to 1990</u> Asst. Architect, Design 2000	<u>September 2002 to September 2010</u> Chief Financial Officer, D'League Pte. Ltd.

ADDITIONAL INFORMATION ON NEW DIRECTOR AND DIRECTORS SEEKING RE-ELECTION

years	<p><u>1990 to 1996</u> Design Director, Graham Taylor Design</p> <p><u>1992 to present</u> Principal Architect, Zahidi A. R Arkitek</p>	<p><u>April 2005 to September 2010</u> Chief Financial Officer/Finance Director, Richard Mille (Asia) Limited</p> <p><u>July 2012 to March 2013</u> Executive Director and Deputy Chief Executive Officer, YZJ Offshore Engineering Pte. Ltd.</p> <p><u>July 2012 to March 2013</u> Executive Director and Chief Financial Officer, PPL Holdings Pte. Ltd.</p> <p><u>October 2010 to March 2013</u> Executive Director and Chief Financial Officer, Fulton Capital Management Limited</p> <p><u>March 2013 to October 2019</u> Director, Cap 1 Financial Pte. Ltd.</p> <p><u>August 2019 to present</u> Chief Investment Officer, CFAM Pte. Ltd.</p>
Shareholding interest in the listed issuer and its subsidiaries	No	<p>Yes (Direct interest: 3,000,000 ordinary shares in the Company)</p> <p>(Deemed interest: 258,292,452 ordinary shares in the Company held by EMEC Holdings Pte. Ltd.)</p>
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments ¹ Including Directorships		
Past (for the last 5 years)	<ol style="list-style-type: none"> CPF Board member – 2019 IMDA Board member – 2018 National Heritage Board – 2019 	<ol style="list-style-type: none"> Cap 1 Financial Pte. Ltd. C1 Investments Pte. Ltd. EMEC Holdings Pte. Ltd. Autovisa Pte. Ltd. JCXY69 Pte. Ltd.
Present	<ol style="list-style-type: none"> Singapore Malay Chamber of Commerce and Industry – Board Member 2014 to 2020 Mendaki Foundation – Board Member 2019 to 2021 Zahidi AR Arkitek – 1992 to present 	<ol style="list-style-type: none"> CFAM Pte. Ltd. C1 Investments Pte. Ltd. EMEC Holdings Pte. Ltd.
(a) Whether at any time during	No	No

¹ "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 NEW DIRECTOR AND DIRECTORS SEEKING RE-ELECTION

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?		
(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 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?	No	No
(c) Whether there is any unsatisfied judgment against him?	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
(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
(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	No	No

ADDITIONAL INFORMATION ON NEW DIRECTOR AND DIRECTORS SEEKING RE-ELECTION

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?		
(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
(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
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(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
(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
(iii) any business trust which has been investigated for	No	No

ADDITIONAL INFORMATION ON NEW DIRECTOR AND DIRECTORS SEEKING RE-ELECTION

a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or		
(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
(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?	Yes 1. In and around 2015/2016, a disciplinary matter has raised by the owner of 118 Race Course Road to the Board of Architects (Singapore) with regards to my professional conduct as a Qualified Person (“QP”), responsible for the development at 118 Race Course Road. 2. The primary complaint was that I was not able/refuse to apply and obtain Certificate of Statutory Completion (“CSC”) for the development. 3. The Board of Architect, after a formal interview, formally discharge and do not find any merit in the complaint as: i) Contract is between owner and contractor; ii) I was appointed by contractor as QP; iii) The contractor has not proceed to complete work for CSC as they have not been paid and has reuse to comply to authority requirements, eventhough after being reminded by us. iv) The matter is a commercial dispute between contractor and owner.	No
Any prior experience as a director of an issuer listed on the Exchange?	No	N.A.
If YES, please provide details of prior experience	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:	The Company will arrange for Mr Zahidi to attend and complete the trainings on the roles and responsibilities of a director as prescribed by the Exchange.	Mr Eugen Chua has attended the relevant Listed Entity Director training courses which were organised by the Singapore Institute of Director as prescribed by the Exchange.
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.

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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 2019.

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
Kee Poir Mok
Stephen Lee
Eugen Chua (appointed on 2 October 2019)

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 or other related body corporate 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:

Name of directors and companies in which interests are held	Direct interest		Deemed interest	
	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	4,795,668,398	4,795,668,398
Eugen Chua	–	3,000,000	–	258,292,452

The directors’ interests as at 21 January 2020 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 corporated 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. Report of audit committee

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

Edward Loy Chee Kim	(Chairman of audit committee)
Stephen Lee	(Non-executive director)
Kee Poir Mok	(Independent and non-executive director)

The audit committee 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 2019 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. Report of 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 Singapore Exchange Securities Trading Limited's Listing Manual).

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 Singapore Exchange Securities Trading Limited .

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 2019.

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 28 February 2020, 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 27 May 2020, the Company is seeking a waiver from Accounting and Corporate Regulatory Authority (ACRA) for the re-filing of the revised 2018 financial statements, including the requirement for copies of the revised 2018 financial statements, together with the new directors' statement and amended auditor's report, be sent to (i) all persons who had received the 2018 statements; (ii) all persons who had received a summary of the 2018 statements; and (iii) all persons entitled to receive notice of general meetings as at the date of the revised 2018 financial statements. This matter is pending.

On behalf of the directors

.....
Peter Koh Heng Kang
Director

.....
Edward Loy Chee Kim
Director

12 June 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of OCEANUS GROUP LIMITED

Report on the audit of the financial statements

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 2019, 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, 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 2019 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 opinion

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 Accounting and Corporate Regulatory Authority ("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

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.

(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 17 - Prepaid leases and land use rights.

Property, plant and equipment and prepaid leases collectively account for approximately 47% of the Group's total assets as at 31 December 2019.

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 included the review of the independent 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 assessment of goodwill

Refer to Note 2C - Critical judgements, assumptions and estimation uncertainties, Note 13 - Goodwill.

The Group has RMB5.28 million of goodwill as at 31 December 2019. The goodwill arises from the acquisition of Alps Group Pte Ltd and AP Media Pte Ltd.

The goodwill is tested for impairment annually by estimating the recoverable amount of the cash-generating unit ("CGU"). Management applies the value-in-use (discounted cash flow) method to determine the recoverable amounts of the CGU.

Forecasting future cash flow is a highly judgemental process which involves making assumptions such as revenue growth rates, margins, operating expenses and discount rates.

How we addressed the matter in our audit

We evaluated the appropriateness of the CGU identified by management based on our knowledge of the business acquisition giving rise to the goodwill and our understanding of the current business of the Group.

The key assumptions underlying the projected cash flows (including budgeted revenue growth, net profit margin and terminal growth) are challenged by comparing against the Group's historical performance in similar business segment, future business plans and consideration of other external and internal factors. Our valuation specialists were engaged to assess the reasonableness of the discount rate used.

We tested the mathematical accuracy of the discounted cash flow and performed sensitivity analyses, focusing on plausible changes in the key assumptions or discount rates and analysed the impact to the carrying amount.

We considered the appropriateness of the disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Members of OCEANUS GROUP LIMITED

Key Audit Matters (cont'd)

(c) Impairment assessment of cost of investment in subsidiaries

Refer to Note 2C - Critical judgements, assumptions and estimation uncertainties, Note 14 - Investment in subsidiaries.

Investment in subsidiaries accounts for approximately 60% of the Company's total assets as at 31 December 2019.

As at 31 December 2019, 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 RMB777 million as at 31 December 2019. Management has assessed the recoverable value amount of OAG Group based on independent 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 included the review of the independent 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.

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.

INDEPENDENT AUDITOR'S REPORT

To the Members of OCEANUS GROUP LIMITED

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 Group'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 Group 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 Group's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

To the Members of OCEANUS GROUP LIMITED

Auditor's responsibilities for the audit of the financial statements (cont'd)

- 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 Group'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 Group 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.

INDEPENDENT AUDITOR'S REPORT

To the Members of OCEANUS GROUP LIMITED

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

12 June 2020

Engagement partner - effective from year ended 31 December 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 31 December 2019

	Notes	Group 2019 RMB'000	2018 RMB'000 Restated
Revenue	5	49,038	21,017
Other operating income	6	13,130	76,582
Cost of inventories		(38,756)	(18,168)
Gain arising from changes in fair value less costs to sell biological assets	18	3,080	14,386
Employee benefits expense	8	(14,720)	(8,296)
Depreciation and amortisation expense		(12,622)	(12,220)
Other operating expenses	6	(19,062)	(12,795)
Finance cost	7	(49)	—
(Loss)/profit before tax from continuing operation		<u>(19,961)</u>	<u>60,506</u>
Income tax income	10	48	—
(Loss)/profit from continuing operation for the year	9	<u>(19,913)</u>	<u>60,506</u>
Discontinued operations			
Profit for the year from discontinued operations	30	74	1,762
(Loss)/profit for the year		<u>(19,839)</u>	<u>62,268</u>
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Fair value changes on debt instruments at fair value through other comprehensive income, net of tax		(133)	—
Exchange differences on translating foreign operations, net of tax		(56)	(3,597)
Other comprehensive loss for the year, net of tax		<u>(189)</u>	<u>(3,597)</u>
Total comprehensive (loss)/income for the year, net of tax		<u>(20,028)</u>	<u>58,671</u>
(Loss)/profit attributable to owners of the parent, net of tax		(20,752)	62,193
Profit attributable to non-controlling interests, net of tax		913	75
(Loss)/profit net of tax		<u>(19,839)</u>	<u>62,268</u>
Total comprehensive (loss)/income attributable to owners of the parent		(20,941)	58,596
Total comprehensive income attributable to non-controlling interests		913	75
Total comprehensive (loss)/income		<u>(20,028)</u>	<u>58,671</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 31 December 2019

	<u>Notes</u>	<u>2019</u> RMB	<u>2018</u> RMB Restated
(Loss)/earnings per share (loss)/earnings per share currency unit		<u>Fen</u>	<u>Fen</u>
Continuing operation			
- Basic	31	(0.09)	0.25
- Diluted	31	<u>(0.09)</u>	<u>0.25</u>
Discontinuing operation			
- Basic	31	0.00	0.01
- Diluted	31	<u>0.00</u>	<u>0.01</u>
Total			
- Basic	31	(0.10)	0.26
- Diluted	31	<u>(0.10)</u>	<u>0.26</u>

The accompanying notes form an integral part of these financial statements

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Notes	31 December 2019 RMB'000	Group 31 December 2018 RMB'000 Restated	1 January 2018 RMB'000 Restated
ASSETS				
Non-current assets				
Property, plant and equipment	11	100,025	108,664	69,873
Right-of-use assets	12	1,071	–	–
Goodwill	13	1,910	3,368	–
Investment in joint arrangements	15	–	–	–
Other financial assets, non-current	16	791	5,043	–
Other assets, non-current	17	1,137	1,976	961
Total non-current assets		104,934	119,051	70,834
Current assets				
Biological assets	18	–	1,816	3,234
Inventories	19	2,945	3,315	86
Trade and other receivables	20	9,074	2,606	9,054
Other non-financial assets, current	21	184	1,314	44
Other financial assets, current	16	5,176	–	–
Cash and cash equivalents	22	87,752	96,367	114,164
Total current assets		105,131	105,418	126,582
Total assets		210,065	224,469	197,416
EQUITY AND LIABILITIES				
Equity				
Share capital	23	3,278,100	3,278,100	3,278,100
Reserves	24	(3,163,819)	(3,142,878)	(3,184,408)
Equity attributable to owners of the Company		114,281	135,222	93,692
Non-controlling interests		2,947	2,727	829
Total equity		117,228	137,949	94,521
Non-current liabilities				
Deferred tax liabilities	10	52	–	–
Lease liabilities	28	244	–	–
Total non-current liabilities		296	–	–
Current liabilities				
Income tax payable		23,948	23,948	23,948
Trade and other payables	27	61,168	55,930	70,537
Borrowings, current	25	4,232	3,395	3,384
Convertible loans, current	26	–	–	–
Lease liabilities	28	831	–	–
Other non-financial liabilities	29	2,362	3,247	5,026
Total current liabilities		92,541	86,520	102,895
Total liabilities		92,837	86,520	102,895
Total equity and liabilities		210,065	224,469	197,416

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Notes	31 December 2019 RMB'000	Company 31 December 2018 RMB'000 Restated	1 January 2018 RMB'000 Restated
ASSETS				
Non-current assets				
Property, plant and equipment	11	257	288	–
Investment in subsidiaries	14	81,498	81,494	81,489
Other financial assets, non-current	16	–	5,043	–
Total non-current assets		<u>81,755</u>	<u>86,825</u>	<u>81,489</u>
Current assets				
Other receivables, current	20	9,744	5,330	9,907
Other non-financial assets	21	–	79	–
Other financial assets, current	16	5,176	–	–
Cash and cash equivalents	22	38,813	16,382	38,495
Total current assets		<u>53,733</u>	<u>21,791</u>	<u>48,402</u>
Total assets		<u>135,488</u>	<u>108,616</u>	<u>129,891</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	23	3,278,100	3,278,100	3,278,100
Reserves	24	(3,260,639)	(3,286,523)	(3,262,149)
Total equity/(deficit)		<u>17,461</u>	<u>(8,423)</u>	<u>15,951</u>
Current liabilities				
Other payables	27	114,543	113,644	110,556
Borrowings, current	25	3,484	3,395	3,384
Convertible loans, current	26	–	–	–
Total current liabilities		<u>118,027</u>	<u>117,039</u>	<u>113,940</u>
Total liabilities		<u>118,027</u>	<u>117,039</u>	<u>113,940</u>
Total equity and liabilities		<u>135,488</u>	<u>108,616</u>	<u>129,891</u>

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

STATEMENTS OF CHANGES IN EQUITY

Year Ended 31 December 2019

	Share capital	Capital reserve	Currency translation reserve	Fair value reserve	Statutory reserve	Accumulated losses	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current year:									
Opening balance at 1 January 2019	3,278,100	(1,137,504)	(2,067)	–	39,262	(2,042,569)	135,222	2,727	137,949
Changes in equity:									
Acquisition of subsidiaries (Note 33)	–	–	–	–	–	–	–	67	67
Disposal of subsidiary with a change in control	–	–	–	–	–	–	–	(760)	(760)
Total comprehensive income for the year	–	–	(56)	(133)	–	(20,752)	(20,941)	913	(20,028)
Closing balance at 31 December 2019	3,278,100	(1,137,504)	(2,123)	(133)	39,262	(2,063,321)	114,281	2,947	117,228
Previous year:									
Opening balance at 1 January 2018	2,794,067	(1,120,438)	13,294	–	39,262	(1,615,474)	110,711	829	111,540
Prior year adjustments (Note 39)	484,033	–	(11,764)	–	–	(489,288)	(17,019)	–	(17,019)
Opening balance at 1 January 2018 (restated)	3,278,100	(1,120,438)	1,530	–	39,262	(2,104,762)	93,692	829	94,521
Changes in equity:									
Acquisition of subsidiaries (Note 33)	–	–	–	–	–	–	–	1,705	1,705
Share capital contribution in subsidiary	–	–	–	–	–	–	–	118	118
Return of shareholders' contribution (Note 16)	–	(17,066)	–	–	–	–	(17,066)	–	(17,066)
Total comprehensive income for the year	–	–	(3,597)	–	–	62,193	58,596	75	58,671
Closing balance at 31 December 2018	3,278,100	(1,137,504)	(2,067)	–	39,262	(2,042,569)	135,222	2,727	137,949

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

STATEMENTS OF CHANGES IN EQUITY

Year Ended 31 December 2019

Company	Share capital RMB'000	Capital reserve RMB'000	Currency translation reserve RMB'000	Fair value reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Current year:						
Opening balance at 1 January 2019	3,278,100	11,229	(17,368)	–	(3,280,384)	(8,423)
Changes in equity:						
Total comprehensive income for the year	–	–	(1,615)	(133)	27,632	25,884
Closing balance at 31 December 2019	3,278,100	11,229	(18,983)	(133)	(3,252,752)	17,461
Previous year:						
Opening balance at 1 January 2018	2,794,067	28,295	(6,215)	–	(2,800,196)	15,951
Prior year adjustments (Note 39)	484,033	–	(8,156)	–	(475,877)	–
Opening balance at 1 January 2018 (restated)	3,278,100	28,295	(14,371)	–	(3,276,073)	15,951
Changes in equity:						
Return of shareholders' contribution (Note 16)	–	(17,066)	–	–	–	(17,066)
Total comprehensive loss for the year	–	–	(2,997)	–	(4,311)	(7,308)
Closing balance at 31 December 2018	3,278,100	11,229	(17,368)	–	(3,280,384)	(8,423)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2019

	<u>2019</u> RMB'000	<u>2018</u> RMB'000 Restated
<u>Cash flows from operating activities</u>		
Profit/(loss) before taxation		
Continuing operations	(19,961)	60,506
Discontinued operations	74	1,762
	<u>(19,887)</u>	<u>62,268</u>
Adjustments for:		
Depreciation of property, plant and equipment	11,792	12,018
Depreciation of right-of-use assets	768	–
Gain on disposal of property, plant and equipment	–	(9,343)
Reversal of impairment loss on prepaid leases	(233)	(1,239)
Reversal of impairment loss on other investment	–	(17,066)
Reversal of impairment loss on property, plant and equipment	(2,551)	(48,898)
Loss on disposal of prepaid leases	1,207	–
Amortisation of prepaid leases	62	30
Impairment allowance on goodwill	3,368	–
Unrealised foreign exchange gain	(124)	(4,061)
Interest expense	49	–
Interest income	(1,322)	(2,113)
Operating cash flows before changes in working capital	<u>(6,871)</u>	<u>(8,404)</u>
Inventories	411	(1,465)
Trade and other receivables	(2,690)	8,298
Other non-financial assets	940	(997)
Biological assets	1,816	1,418
Trade and other payables	(1,289)	(26,913)
Other non-financial liabilities	(885)	(1,779)
Net cash flows used in operations	<u>(8,568)</u>	<u>(29,842)</u>
Income taxes refunded	48	–
Net cash flows used in operating activities	<u>(8,520)</u>	<u>(29,842)</u>
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(649)	(3,799)
Acquisition of subsidiary (Note 33)	(219)	670
Increase in other financial assets	(774)	–
Disposal of property, plant and equipment	364	11,338
Disposal of subsidiaries (Note 14)	(760)	–
Increase in convertible loan receivable	–	(5,043)
Interest received	1,322	2,113
Net cash flows (used in)/ from investing activities	<u>(716)</u>	<u>5,279</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2019

	<u>2019</u> RMB'000	<u>2018</u> RMB'000
<u>Cash flows from financing activities</u>		
Capital contribution from non-controlling interests in subsidiary	–	118
Lease liabilities – principal portion paid	(813)	–
Proceeds from borrowings	731	–
Net movements in amounts due to director	621	5,591
Net cash flows from financing activities	<u>539</u>	<u>5,709</u>
Net decrease in cash and cash equivalents	(8,697)	(18,854)
Effect of cash and cash equivalent denominated in foreign currencies	82	1,057
Cash and cash equivalents, statement of cash flows, beginning balance	<u>96,367</u>	<u>114,164</u>
Cash and cash equivalents, statement of cash flows, ending balance (Note 22)	<u>87,752</u>	<u>96,367</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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 14 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 2019 and 7 March 2019, the Company has since obtained from the SGX-ST an extension of up to 2 June 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 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 2018 (i.e. 5 June 2020). This has not been achieved yet.

As announced by the Company on 8 May 2020, the Company will make an application to SGX-ST for a further extension of time to satisfy the Financial Exit Criteria.

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 2019

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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).

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 2019

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

2A. Significant accounting policies (cont'd)

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. Grants in recognition of specific expenses are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate. The grant related to assets is deducted in calculating the carrying amount of the asset and therefore the grant is recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

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 Company's 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 2019

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\$5.18 to S\$1.00 (2018: 5.04 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\$5.06 to S\$1.00 (2018: RMB4.90 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 2019

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 2019

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 2019

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

2A. Significant accounting policies (cont'd)

Right-of-use assets

A right-of-use asset ("ROU asset") is recognised at the commencement date of a lease. The ROU asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

ROU assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. ROU assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a ROU asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A right-of-use asset is capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. A liability corresponding to the capitalised lease is also recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. The right-to-use asset is depreciated over the earlier of the end of the useful life of the right-of-use asset or the end of the lease term and an interest expense on the recognised lease liability (included in finance costs). Short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office equipment) where an accounting policy choice exists under the lease standard whereby the lease payments are expensed to profit or loss as incurred on a straight line basis over the remaining lease term. For these leases, a right-of-use asset is recognised.

As a lessor the reporting entity classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset and it is presented in its statement of financial position as a receivable at an amount equal to the net investment in the lease. For a finance lease the finance income is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Lease payments from operating leases are recognised as income on either a straight-line basis or another systematic basis over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

2A. Significant accounting policies (cont'd)

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.

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.

In the reporting entity's separate financial statements, 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

2A. Significant accounting policies (cont'd)

Joint arrangements – joint venture

A joint arrangement (that is, either a joint operation or a joint venture, depending on the rights and obligations of the jointly controlling parties to the arrangement), is one in which the reporting entity is party to an arrangement of which two or more parties have joint control, which is the contractually agreed sharing of control of the arrangement; it exists only when decisions about the relevant activities (that is, activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. In a joint venture, the parties with joint control have rights to the net assets of the arrangement. The reporting interests in joint ventures are recognised using the equity method in accordance with the financial reporting standard on investments in associates and joint ventures.

Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The carrying value and the net book value of the investment in the joint venture are not necessarily indicative of the amounts that would be realised in a current market exchange. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Losses of a joint venture in excess of the reporting entity's interest in the relevant joint venture are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the reporting entity and a joint venture are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint venture are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be a joint venture and accounts for the investment in accordance with the financial reporting standard on financial instruments from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former joint venture is measured at fair value at the date that it ceases to be a joint venture.

In the Company's separate financial statements, an investment in a joint venture is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a joint venture 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 an investment in the joint venture are not necessarily indicative of the amounts 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

2A. Significant accounting policies (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

2A. Significant accounting policies (cont'd)

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.

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"): A debt asset instrument is measured at fair value through other comprehensive income ("FVTOCI") only if it meets both of the following conditions and is not designated as at FVTPL, that is (a): the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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. Financial assets are not reclassified subsequent to their initial recognition, except when, and only when, the reporting entity changes its business model for managing financial assets (expected to be rare and infrequent events). The previously recognised gains, losses, or interest cannot be restated. When these financial assets are derecognised, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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 (cont'd):

- #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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

2A. Significant accounting policies (cont'd)

Fair value measurement (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

2B. Other explanatory information (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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)

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.

During the financial year ended 31 December 2019, the Group recognised a reversal of impairment loss of RMB2,551,000 (2018: RMB48,894,000) on property, plant and equipment mainly due to capital appreciation of property market. 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 RMB100,025,000 for property, plant and equipment and RMB1,167,000 for prepaid leases respectively.

Impairment assessment of goodwill

The amount of goodwill is tested annually for impairment. This annual impairment test is significant and the process is complex and highly judgmental and is based on assumptions that are affected by expected future market or economic conditions. As a result, judgement is required in evaluating the assumptions and methodologies used by management, in particular those relating to the forecasted revenue growth and profit margins. The disclosures about goodwill are included in Note 13, which explains that small changes in the key assumptions used could give rise to an impairment of the goodwill balance in the future. Actual outcomes could vary from these estimates.

Impairment assessment of cost of investment in subsidiaries

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. Management has assessed the recoverable value amount of investee based on independent 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. 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 RMB81,498,000 (2018: RMB81,494,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2. Significant accounting policies and other explanatory information (cont'd)
- 2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

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 RMB100,025,000 (2018: RMB108,664,000).

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 2019, the carrying amounts of biological assets is RMB Nil (2018: RMB1,816,000).

Debt asset instrument measured at FVTOCI

The classification of these debt asset instruments as measured at FVTOCI requires significant judgement. They must not be designated as at FVTPL. Judgement is required in the assessment of the conditions that the the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and 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. If the conditions are not met, the accounting treatment would then be as for FVTPL or at amortised cost. The amount at the end of the reporting year is disclosed in Note 16.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

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

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 (2018: RMB23,948,000).

As at 31 December 2019, the Group did not recognise deferred tax assets in relation to unutilised tax losses amounting to RMB126,174,000 (2018: RMB158,103,000) due to uncertainty over which future taxable profit will be available against which the Group can utilise such benefit.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

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>2019</u> RMB'000	<u>2018</u> RMB'000
Short-term benefits	3,091	3,567
Post-employment benefits	345	165
	<u>3,436</u>	<u>3,732</u>

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

	<u>Group</u>	
	<u>2019</u> RMB'000	<u>2018</u> RMB'000
Remuneration of directors and senior management of the Company	2,813	3,261
Fees to directors of the Company	<u>278</u>	<u>306</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 2019

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

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

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>2019</u> RMB'000	<u>2018</u> RMB'000
<u>Group</u>		
<u>Other payable</u>		
Balance at beginning of the year	5,591	–
Amounts paid in and settlement of liabilities on behalf of the Group	621	5,591
Balance at end of the year (Note 27)	<u>6,212</u>	<u>5,591</u>
	<u>Subsidiaries</u>	
	<u>2019</u> RMB'000	<u>2018</u> RMB'000
<u>Company</u>		
<u>Other receivables</u>		
Balance at beginning of the year	1,199,534	1,142,928
Amounts paid out and settlement of liabilities on behalf of the subsidiaries	8,309	56,606
Balance at end of the year (Note 20)	<u>1,207,843</u>	<u>1,199,534</u>
<i>Movement in allowance</i>		
Balance at beginning of the year	(1,194,204)	(1,133,021)
Charge for other receivables to profit or loss included in other expenses	(19,172)	(20,243)
Reversed for other receivables to profit or loss included in other operating income	15,869	–
Foreign exchange differences	(592)	(40,940)
Balance at end of the year (Note 20)	<u>(1,198,099)</u>	<u>(1,194,204)</u>
	<u>Subsidiaries</u>	
	<u>2019</u> RMB'000	<u>2018</u> RMB'000
<u>Company</u>		
<u>Other payables</u>		
Balance at beginning of the year	106,196	102,489
Amounts paid in and settlement of liabilities on behalf of the Company	1,266	3,707
Balance at end of the year (Note 27)	<u>107,462</u>	<u>106,196</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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 30 to the financial statements.

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").

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

4B. Profit or loss from continuing operations and reconciliations

2019	Live marine products RMB'000	Trading RMB'000	Consultancy RMB'000	Others RMB'000	Total continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
Revenue by segments	5,056	32,960	11,022	–	49,038	–	49,038
Total revenue							
Results							
Segment results	(33,061)	(12,670)	2,586	34,749	(8,396)	74	(8,322)
Finance costs	–	(40)	(9)	–	(49)	–	(49)
Foreign exchange gain	(13,873)	562	(14)	14,431	1,106	–	1,106
Depreciation and amortisation expense	(11,342)	(866)	(344)	(70)	(12,622)	–	(12,622)
Profit/(loss) before income tax	–	–	48	–	(19,961)	74	(19,887)
Income tax income					48	–	48
Profit/(loss) for the year					(19,913)	74	(19,839)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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	Consultancy RMB'000	Others RMB'000	Total continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
2019							
Other information							
Acquisition of property, plant and equipment	304	234	383	31	952	-	952
Allowance for impairment on goodwill	-	(3,368)	-	-	(3,368)	-	(3,368)
Amortisation of prepaid leases	(62)	-	-	-	(62)	-	(62)
Depreciation of property, plant and equipment	(11,280)	(260)	(182)	(70)	(11,792)	-	(11,792)
Depreciation of right-of-use assets	-	(768)	-	-	(768)	-	(768)
Gain arising from changes in fair value less costs to sell biological assets	3,080	-	-	-	3,080	-	3,080
Reversal of impairment loss on property, plant and equipment	2,551	-	-	-	2,551	-	2,551
Reversal of impairment loss on prepaid leases	233	-	-	-	233	-	233
Reversal of impairment loss on trade receivables	4,000	-	-	-	4,000	-	4,000
Loss on disposal of prepaid leases	(1,207)	-	-	-	(1,207)	-	(1,207)
Rental income	1,025	-	-	-	1,025	-	1,025
Interest income	806	-	-	516	1,322	-	1,322
Sundry income	-	296	604	573	1,473	-	1,473

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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	Consultancy RMB'000	Others RMB'000	Total continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
2018							
Revenue by segments	16,311	2,122	2,584	—	21,017	—	21,017
Total revenue							
Results							
Segment results	56,139	(7,324)	182	15,569	64,566	1,762	66,328
Foreign exchange gain	(4,429)	754	—	11,835	8,160	—	8,160
Depreciation and amortisation expense	(11,916)	(280)	—	(24)	(12,220)	—	(12,220)
Profit before income tax					60,506	1,762	62,268
Income tax expense					—	—	—
Profit for the year					60,506	1,762	62,268

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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	Consultancy RMB'000	Others RMB'000	Total continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
2018							
Other information							
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	(11,714)	(280)	-	(24)	(12,018)	-	(12,018)
Gain on disposal of property, plant and equipment	9,343	-	-	-	9,343	-	9,343
Amortisation of prepaid leases	(30)	-	-	-	(30)	-	(30)
Reversal of impairment loss on investment	-	-	-	17,066	17,066	-	17,066
Reversal of impairment loss on property, plant and equipment	48,898	-	-	-	48,898	-	48,898
Reversal of impairment loss on prepaid leases	1,239	-	-	-	1,239	-	1,239
Rental income	628	-	-	-	628	-	628
Interest income	32	-	-	134	166	1,947	2,113
Sundry income	(790)	-	6	506	(278)	190	(88)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

4C. Assets and liabilities

	Live marine products RMB'000	Trading RMB'000	Consultancy RMB'000	Others RMB'000	Discontinued operations RMB'000	Inter-segment eliminations RMB'000	Total RMB'000
2019							
Assets							
Segment assets	168,819	19,185	4,626	225,162	3,636	(211,363)	210,065
Liabilities							
Segment liabilities	538,656	180,868	2,422	1,150,046	114,883	(1,894,038)	92,837
2018							
Assets							
Segment assets	181,598	16,413	1,817	196,133	7,102	(178,594)	224,469
Liabilities							
Segment liabilities	490,494	166,348	1,536	1,159,915	155,834	(1,887,607)	86,520

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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		Group Non-current assets	
	2019 RMB'000	2018 RMB'000	31 December 2019 RMB'000	31 December 2018 RMB'000
PRC	5,056	16,311	100,315	118,353
Singapore	43,982	4,706	4,619	698
	<u>49,038</u>	<u>21,017</u>	<u>104,934</u>	<u>119,051</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 RMB'000
2019	
Customer A in trading segment	7,603
	<u>7,603</u>
	Group RMB'000
2018	
Customer A in live marine products segment	4,054
Customer B in live marine products segment	3,693
	<u>7,747</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

5. Revenue

	<u>Group</u>	
	<u>2019</u> RMB'000	<u>2018</u> RMB'000
Revenue from contracts with customers		
- Sales of live marine products	5,056	16,311
- Sales of goods	32,960	2,122
- Consultancy services	11,022	2,584
	<u>49,038</u>	<u>21,017</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 RMB10,597,000 (2018: 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>2019</u> RMB'000	<u>2018</u> RMB'000	<u>2019</u> RMB'000	<u>2018</u> RMB'000	<u>2019</u> RMB'000	<u>2018</u> RMB'000
Rental income	1,025	628	-	-	1,025	628
Interest income	1,322	166	-	1,947	1,322	2,113
Government grants	1,203	424	-	-	1,203	424
Gain on disposal of property, plant and equipment	-	9,343	-	-	-	9,343
Reversal of impairment loss on prepaid leases	233	1,239	-	-	233	1,239
Foreign exchange adjustments gain	1,106	8,160	83	-	1,189	8,160
Reversal of impairment loss on property, plant and equipment	2,551	48,898	-	-	2,551	48,898
Trade and other payables written back	-	8,002	-	19	-	8,021
Reversal of impairment loss on other receivables	4,000	-	-	-	4,000	-
Overpayment of trade receivables	217	-	-	-	217	-
Sundry income	1,473	(278)	-	190	1,473	(88)
Net	<u>13,130</u>	<u>76,582</u>	<u>83</u>	<u>2,156</u>	<u>13,213</u>	<u>78,738</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

6B. Other operating expenses

	Continuing operations		Group Discontinued operations		Total	
	2019	2018	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Allowance for impairment on goodwill	3,368	—	—	—	3,368	—
Allowance for impairment on other receivables	—	8,450	—	—	—	8,450
Annual listing fees	275	328	—	—	275	328
Annual report fees	—	517	—	—	—	517
Asset decommissioning costs	—	6,995	—	—	—	6,995
Bad debt written off other receivable	413	—	—	—	413	—
Consultancy project fee	—	22	—	—	—	22
Electricity, fuel and water	1,037	964	—	—	1,037	964
Foreign exchange adjustments loss	—	—	—	392	—	392
Insurance expenses	78	70	—	—	78	70
Loss on disposal of prepaid lease	1,207	—	—	—	1,207	—
Marketing and promotion	697	931	—	—	697	931
Operating lease expenses	1,055	558	—	—	1,055	558
Professional fees	6,628	4,285	—	—	6,628	4,285
Repair and maintenance	96	2,088	—	—	96	2,088
(Reversal of)/impairment loss on other investment	—	(17,066)	—	—	—	(17,066)
Storage and distribution	1,033	—	—	—	1,033	—
Travelling expenses	1,077	698	—	—	1,077	698
Others	2,098	3,955	9	2	2,107	3,957
	<u>19,062</u>	<u>12,795</u>	<u>9</u>	<u>394</u>	<u>19,071</u>	<u>13,189</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

7. Finance cost

	Continuing operations		Group Discontinued operations		Total	
	2019	2018	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	49	—	—	—	49	—

8. Employee benefits expense

	Continuing operations		Group Discontinued operations		Total	
	2019	2018	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Employee benefit expenses:						
- Directors' fees	278	306	—	—	278	306
- Directors' salary of the Company	1,822	2,199	—	—	1,822	2,199
- Salary of employees other than directors	10,070	4,488	—	—	10,070	4,488
- Defined contribution plans included in staff costs	1,167	1,233	—	—	1,167	1,233
- Other staff welfare	1,383	70	—	—	1,383	70
	<u>14,720</u>	<u>8,296</u>	<u>—</u>	<u>—</u>	<u>14,720</u>	<u>8,296</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	
	2019	2018	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Audit fee to auditors of the Company	658	637	—	—	658	637
Audit fee to other auditors	—	18	—	—	—	18
Non-audit fees paid to the auditors of the Company	40	88	—	—	40	88
	<u>698</u>	<u>743</u>	<u>—</u>	<u>—</u>	<u>698</u>	<u>743</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

10. Income tax

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

	<u>Group</u>	
	<u>2019</u> RMB'000	<u>2018</u> RMB'000
<u>Current tax income:</u>		
Overprovision in respect of prior years	48	–

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% (2018: 17.0%) to profit or loss before income tax as a result of the following differences:

	<u>Group</u>	
	<u>2019</u> RMB'000	<u>2018</u> RMB'000
Profit/(loss) before tax		
– Continuing operation	(19,961)	60,506
– Discontinued operations	74	1,762
	<u>(19,887)</u>	<u>62,268</u>
Income tax (income)/expense at the above rate	(3,380)	10,586
Expenses not deductible for tax purposes	23,238	4,072
Income not subject to tax	(14,281)	(14,385)
Effect of different tax rate in different jurisdictions	1,742	6,931
Movement of deferred tax assets not recognised	(7,319)	(7,204)
Overprovision in respect of prior years	48	–
Total income tax expense	<u>48</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:

	<u>Group</u>	
	<u>2019</u> RMB'000	<u>2018</u> RMB'000
<u>Deferred tax liabilities recognised</u>		
Excess of net book value of plant and equipment over tax values arising from acquisition of subsidiary	52	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

10. Income tax (cont'd)

10B. Deferred tax assets/liabilities in statements of financial position: (cont'd)

The Group has unutilised tax losses as follows:

	<u>2019</u> RMB'000	<u>Group</u> <u>2018</u> RMB'000
Unutilised tax losses	<u>162,715</u>	<u>267,447</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>2019</u> RMB'000	<u>Group</u> <u>2018</u> RMB'000
2019	–	59,819
2020	14,240	14,240
2021	40,200	40,200
2022	43,844	43,844
2024	<u>27,890</u>	<u>–</u>
	<u>126,174</u>	<u>158,103</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

31 December 2019

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 2018	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	
Additions	187	52	76	334	—	—	649	
Arising from acquisition of subsidiary	—	—	—	303	—	—	303	
Disposals	—	—	—	(598)	—	—	(598)	
Foreign exchange adjustments	—	28	—	19	—	—	47	
At 31 December 2019	303,170	1,728	44,784	2,309	243	32,379	384,613	
<u>Accumulated depreciation:</u>								
At 1 January 2018	191,042	2,379	33,893	1,082	96	—	228,492	
Depreciation for the year	10,804	248	840	96	30	—	12,018	
Disposals	(55,015)	(1,594)	(511)	(198)	—	—	(57,318)	
At 31 December 2018	146,831	1,033	34,222	980	126	—	183,192	
Depreciation for the year	10,951	133	279	247	—	—	11,610	
Arising from acquisition of subsidiary	—	—	—	182	—	—	182	
Disposals	—	—	—	(193)	—	—	(193)	
Foreign exchange adjustments	—	26	—	7	—	—	33	
At 31 December 2019	157,782	1,192	34,501	1,223	126	—	194,824	
<u>Accumulated impairment:</u>								
At 1 January 2018	185,066	1,503	10,806	505	25	32,379	230,284	
Reversal of impairment loss for the year	(45,951)	(1,057)	(2,077)	99	92	—	(48,894)	
Disposals	(89,038)	—	4	—	—	—	(89,034)	
At 31 December 2018	50,077	446	8,733	604	117	32,379	92,356	
(Reversal)/Addition of impairment loss for the year	(4,103)	—	1,550	2	—	—	(2,551)	
Disposals	—	—	—	(41)	—	—	(41)	
At 31 December 2019	45,974	446	10,283	565	117	32,379	89,764	
<u>Carrying value:</u>								
At 1 January 2018	68,396	320	777	258	122	—	69,873	
At 31 December 2018	106,075	169	1,753	667	—	—	108,664	
At 31 December 2019	99,414	90	—	521	—	—	100,025	

NOTES TO THE FINANCIAL STATEMENTS

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

	<u>Company</u> <u>Office</u> <u>equipment</u> RMB'000
<u>Cost:</u>	
At 1 January 2018	–
Additions	311
At 31 December 2018	311
Additions	43
At 31 December 2019	354
<u>Accumulated depreciation:</u>	
At 1 January 2018	–
Depreciation for the year	23
At 31 December 2018	23
Depreciation for the year	74
At 31 December 2019	97
<u>Carrying value:</u>	
At 1 January 2018	–
At 31 December 2018	288
At 31 December 2019	257

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 2019, the Group recognised a reversal of impairment loss of RMB2,551,000 (2018: RMB48,898,000) on property, plant and equipment mainly due to capital appreciation of property market (2018: asset reconditioning via repair and maintenance).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

12. Right-of-use assets

	<u>Office premises</u> RMB'000
<u>Group</u>	
<u>Cost</u>	
At 31 December 2018, as reported	–
Adoption of FRS 116 (Note 37)	1,560
Adjustment balances at 1 January 2019	<u>1,560</u>
Additions	289
Foreign exchange adjustments	7
At 31 December 2019	<u>1,856</u>
<u>Accumulated depreciation</u>	
At 1 January 2019	–
Depreciation for the year	768
Foreign exchange adjustments	17
At 31 December 2019	<u>785</u>
<u>Carrying value</u>	
At 1 January 2019	<u>1,560</u>
At 31 December 2019	<u>1,071</u>

Other information relating to the right-of-use assets are as follows:

	<u>Office premises</u>
Number of right-to-use assets	3
Remaining term	<u>1 to 1.4 years</u>

For the aforesaid right-of-use assets, management has elected to measure the right-of-use asset as if the new standard had been applied since the start of the lease, but using the incremental borrowing rate at 1 January 2019 (see Note 37).

13. Goodwill

	<u>31 December 2019</u> RMB'000	<u>Group</u> <u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000
<u>Cost</u>			
At beginning of year	3,368	–	–
Arising from acquiring of a subsidiary (Note 33)	1,910	3,368	–
At end of year	<u>5,278</u>	<u>3,368</u>	<u>–</u>
<u>Accumulated impairment:</u>			
At beginning of year	–	–	–
Impairment loss recognised in the year included in other operating expenses	3,368	–	–
At end of year	<u>3,368</u>	<u>–</u>	<u>–</u>
Net book value at end of the year	<u>1,910</u>	<u>3,368</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

13. Goodwill (cont'd)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the group's investment by each subsidiary follows:

Name of subsidiary:	<u>31 December 2019</u>	<u>Group</u> <u>31 December 2018</u>	<u>1 January 2018</u>
	RMB'000	RMB'000	RMB'000
Alps Group Pte Ltd	3,368	3,368	–
AP Media Pte. Ltd.	1,910	–	–
	<u>5,278</u>	<u>3,368</u>	<u>–</u>

The goodwill was tested for impairment at the end of the reporting year. An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its fair value less costs of disposal or its value in use. The recoverable amounts of cash-generating units have been measured based on the fair value less costs of disposal method or the value in use method as appropriate for the separate CGUs.

The value in use was determined by management. The key assumptions for value in use calculations are those regarding the discount rate, growth rate and expected changes to selling prices and direct costs during the year. Management estimates the discount rate using pre-tax rate that reflects current market assessments of the time value of money and risks specific to the CGU. The growth rate is based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The impairment test has been carried out using a discounted cash flows model covering a five year period. Cash flow projections are made based on current year's results with 1% growth rate (2018: 0%). The estimated discount rate using pre-tax rate that reflects current market assessments at the risks specific to the CGU is 11% (2018: 8%).

Actual outcomes could vary from these estimates. If the revised estimated gross margin at end of reporting year had been 10% less favourable than management's estimates, the goodwill would have to be fully impaired. If the revised estimated pre-tax discount rate applied to the discounted cash flows had been 10% less favourable than management's estimates, the recoverable amount is still greater than the carrying value of the goodwill and no impairment for goodwill will be required. If the actual gross margin and pre-tax discount rate had been more favourable than management's estimates, management would not be able to reverse any impairment losses that arose on goodwill because SFRS(I) 1-36 does not permit reversing an impairment loss for goodwill.

The value in use is a recurring fair value measurement (level 3) determined by management. The quantitative information on value in use measurement using significant unobservable inputs for the CGU are consistent with those used for the measurement last performed.

Due to increased competition in the market, the management has revised the cash flow forecasts for the Alps Group Pte Ltd CGU. The carrying amount of Alps Group Pte Ltd CGU has therefore been reduced to its recoverable amount through recognition of an impairment loss against goodwill of RMB3,368,000.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

14. Investment in subsidiaries

	<u>Company</u>		
	<u>31 December 2019</u> RMB'000	<u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000
Movements during the year:			
At the beginning of the year	1,405,053	1,405,048	1,405,042
Acquisitions	3	5	6
Allowance for impairment	(1,323,558)	(1,323,559)	(1,323,559)
At the end of the year	<u>81,498</u>	<u>81,494</u>	<u>81,489</u>
Movements in allowance for impairment:			
At the beginning of the year	1,323,559	1,323,559	1,247,483
Amount recognised during the year	(1)	–	76,076
At the end of the year	<u>1,323,558</u>	<u>1,323,559</u>	<u>1,323,559</u>
Total cost comprising:			
Unquoted equity shares at cost	1,405,056	1,405,053	1,405,048
Allowance for impairment	(1,323,558)	(1,323,559)	(1,323,559)
Total at cost	<u>81,498</u>	<u>81,494</u>	<u>81,489</u>

The subsidiaries in the Group 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		
	<u>31 December 2019</u> RMB'000	<u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000	<u>31 December 2019</u> %	<u>31 December 2018</u> %	<u>1 January 2018</u> %
Held by the Company						
Oceanus Aquaculture Group Pte. Ltd. ^(a) Singapore Investment holding	1,391,067	1,391,067	1,391,067	100	100	100
Oceanus Food Group Pte. Ltd. ^(a) Singapore Investment holding and trading of canned abalone	13,688	13,688	13,688	100	100	100
Oceanus Food Group Limited ^(d) Hong Kong Investment holding	287	287	287	100	100	100

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14. Investment in subsidiaries (cont'd)

The subsidiaries in the Group are listed below: (cont'd)

Name of subsidiaries, country of incorporation, place of operations, principal activities (and independent auditors)	Cost of investment			Effective percentage of equity held		
	31 December 2019	31 December 2018	1 January 2018	31 December 2019	31 December 2018	1 January 2018
	RMB'000	RMB'000	RMB'000	%	%	%
Oceanus Tech Pte Ltd ^(a) Singapore Operation of fish hatcheries, fish farms and fishery research services	6	6	6	100	100	100
Oceanus Investment Holdings Pte. Ltd. ^(a) Singapore Investment holding	5	5	–	100	100	–
Asia Fisheries Pte Ltd ^{(a)(e)} Singapore Trading of animal feeds Incorporated on 11 April 2019	3	–	–	100	–	–
	<u>1,405,056</u>	<u>1,405,053</u>	<u>1,405,048</u>			

Subsidiary held through Oceanus Aquaculture Group Pte. Ltd.

Oceanus (China) Aquaculture Co., Ltd ^(b) 欧胜 (中国) 养殖有限公司 People's Republic of China Aquaculture production and abalone farming and sale of products				100	100	100
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NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

14. Investment in subsidiaries (cont'd)

The subsidiaries in the Group are listed below: (cont'd)

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
	<u>2019</u>	<u>2018</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
	RMB'000	RMB'000	RMB'000	%	%	%
Subsidiaries held through Oceanus Food Group Limited						
Zhangzhou Oceanus Food Co., Ltd ^(d) 漳州欧圣食品有限公司 People's Republic of China Inactive				100	100	100
Subsidiaries held through Oceanus Food Group Pte. Ltd.						
Oceanus Australia Abalone World (S) Pte Ltd ^(c) Singapore Trading abalone products Disposed on 7 March 2019				–	60	60
Oceanus (Shanghai) Restaurant Management Co., Ltd ^(d) 欧圣(上海)餐饮管理有限公司 People's Republic of China Inactive				100	100	100
Oceanus (Hong Kong) Company Limited ^(f) Hong Kong Inactive				–	–	100

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

14. Investment in subsidiaries (cont'd)

The subsidiaries in the Group are listed below: (cont'd)

Name of subsidiaries, country of incorporation, place of operations, principal activities (and independent auditors)	Effective percentage of equity held		
	31 December 2019	31 December 2018	1 January 2018
	%	%	%
Subsidiaries held through Oceanus Food Group Pte. Ltd. (cont'd)			
Oceanus (Singapore) Restaurant Management Pte. Ltd. ^(a) Singapore Inactive	100	100	100
Oceanus (Taiwan) Restaurant Limited Company ^(d) Taiwan Inactive	100	100	100
Subsidiary held through Oceanus (China) Aquaculture Co., Ltd.			
Xiamen Oceanus Import and Export Ltd ^(b) 厦门欧圣进出口有限公司 People's Republic of China Trading and distribution	75	75	75

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

14. Investment in subsidiaries (cont'd)

The subsidiaries in the Group are listed below: (cont'd)

Subsidiary held through Oceanus (Shanghai) Restaurant Management Co., Ltd Shanghai Oceanus Wujiang Road Restaurant Co., Ltd ^(d) 上海欧圣吴江路餐饮有限公司 People's Republic of China Inactive	100	100	100
Subsidiary held through Oceanus Investment Holdings Pte. Ltd. Alps Group Pte. Ltd. ^(a) Singapore Wholesales of paper products	51	51	–
AP Media Pte. Ltd. ^(a) Singapore Media, marketing and consultancy	51	–	–
Fujian Sheng Li Seafood Co Ltd ^(e) People's Republic of China Inactive Incorporated on 13 September 2019	100	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

14. Investment in subsidiaries (cont'd)

The subsidiaries in the Group are listed below: (cont'd)

Name of subsidiaries, country of incorporation, place of operations, principal activities (and independent auditors)	Effective percentage of equity held		
	31 December 2019	31 December 2018	1 January 2018
	%	%	%
Subsidiary held through Alps Group Pte. Ltd.			
Alps Commercial (Shanghai) Co Ltd ^(e)	51	—	—
People's Republic of China Wholesales of paper products Incorporated on 25 March 2019			
Subsidiary held through AP Media Pte. Ltd.			
Capy Comm Pte. Ltd. ^(a)	51	—	—
Singapore Advertising			
AP 360 Marketing Sdn Bhd ^(g)	51	—	—
Malaysia Motion picture/video production			

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

(b) Audited by SBA Stone Forest CPA Co., Ltd, a member of Allinial Global, 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 during the year 2018.

(g) Other independent auditors. Audited by firms of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.

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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15. Investment in joint arrangement

On 1 March 2019, the Company announced that a subsidiary of the group, Oceanus Investment Holdings Pte. Ltd. ("OIH") incorporated an entity Oceanus Opal (S) Pte Ltd ("OOPL") with an equity interest of 49%, amounting to RMB1,190,000 (equivalent to S\$230,300). The purpose of OOPL was for the joint tendering of an aquaculture farm plot in Singapore.

During the reporting year, the acquisition of the farm plot did not materialise and OOPL is in the process of being strike off. The cost of investment was refunded and pre-operating expenses relating to OOPL, amounting to RMB413,000 (equivalent to S\$80,215), was written off to the income statement for the year.

16. Other financial assets

	<u>31 December 2019</u> RMB'000	<u>Group</u> <u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000
<u>Non-current</u>			
Financial assets at FVTPL, non-current (Note 16A)	791	–	–
Financial assets that is a debt asset instrument FVTOCI (Note 16B)	–	5,043	–
Other financial assets, non-current (Note 16C)	–	–	–
	<u>791</u>	<u>5,043</u>	<u>–</u>
<u>Current</u>			
Financial assets that is a debt asset instrument FVTOCI (Note 16B)	5,176	–	–
	<u>5,176</u>	<u>–</u>	<u>–</u>
	<u>31 December 2019</u> RMB'000	<u>Company</u> <u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000
<u>Non-current</u>			
Financial assets that is a debt asset instrument FVTOCI (Note 16B)	–	5,043	–
Other financial assets, non-current (Note 16C)	–	–	–
	<u>–</u>	<u>5,043</u>	<u>–</u>
<u>Current</u>			
Financial assets that is a debt asset instrument FVTOCI (Note 16B)	5,176	–	–
	<u>5,176</u>	<u>–</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

16. Other financial assets (cont'd)

16A. Financial assets at FVTPL, non-current

Name of joint arrangement, country of incorporation, place of operations, principal activities	Cost of investment			Effective percentage of equity held		
	31 December 2019	31 December 2018	1 January 2018	31 December 2019	31 December 2018	1 January 2018
	RMB'000	RMB'000	RMB'000	%	%	%
Balance is made up of:						
Pelamis 98 Pty Ltd Australia Operate fishing vessels in Australian fisheries.	791	-	-	10	-	-
	<u>791</u>	<u>-</u>	<u>-</u>			

	31 December 2019 RMB'000	Group 31 December 2018 RMB'000	1 January 2018 RMB'000
Movements during the year:			
Fair value at beginning of the year	-	-	-
Additions	774	-	-
Currency translation difference	17	-	-
Fair value at end of the year	<u>791</u>	<u>-</u>	<u>-</u>

Disclosures relating to investments at FVTPL

Level	31 December 2019 RMB'000	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2019 %	31 December 2018 %	1 January 2018 %
Unquoted equity shares	3 791	-	-	10.0	-	-

This represents 10% of unquoted equity interests, denominated in US\$, in Pelamis 98 Pty Ltd, a company established in the Australia, which operate fishing vessels in Australian fisheries.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

16. Other financial assets (cont'd)

16A. Financial assets at FVTPL, non-current (cont')

The fair value of the investments are determined by management. A description of the valuation techniques and information about significant unobservable inputs used in the fair value measurements are as follows:

Unquoted equity shares	Pelamis 98 Pty Ltd
Industry	Manufacturing
Location	Australia
Fair value	RMB 791,000
Fair value hierarchy	Level 3
Valuation technique	Market comparable companies

Unquoted equity shares are generally Level 3 because the other inputs (e.g., entity specific profit amounts, comparability adjustments, etc.) are not observable.

Sensitivity analysis for price risk of equity shares at FVTPL

There are investments in equity shares or similar instruments. Such investments are exposed to both currency risk and market price risk arising from uncertainties about future values of the investment securities. Sensitivity analysis: The effect is as follows:

	<u>2019</u> RMB'000	<u>2018</u> RMB'000
A hypothetical 10% increase in the market index that relates to unquoted equity shares at FVTPL would have an effect on fair value of	<u>79</u>	<u>–</u>

For similar price decreases in the fair value of the above financial assets, there would be comparable impacts in the opposite direction.

This figure does not reflect the currency risk, which has been considered in the foreign currency risks analysis section only. The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

16B. Financial assets that is a debt asset instrument FVTOCI

	<u>31 December 2019</u> RMB'000	<u>Group and Company</u> <u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000
Movements during the year:			
Fair value at beginning of the year	5,043	5,043	–
Fair value reserve (Note 24)	<u>133</u>	<u>–</u>	<u>–</u>
Fair value at end of the year	<u>5,176</u>	<u>5,043</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

16. Other financial assets (cont'd)

16B. Financial assets that is a debt asset instrument FVTOCI (cont'd)

Disclosures relating to investments in debt assets instruments at FVTOCI

	Level	<u>Group and Company</u>		
		<u>31 December 2019</u> RMB'000	<u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000
Unquoted bond with fixed interest of 10% and maturing on 29 May 2020, Singapore	2	5,176	5,043	–

A summary of the maturity dates as at the end of reporting year is as follows:

Within 1 year	5,176	–	–
Within 1 to 2 years	–	5,043	–
	<u>5,176</u>	<u>5,043</u>	<u>–</u>

The fair value of the investments are determined by management. A description of the valuation techniques and information about significant unobservable inputs used in the fair value measurements are as follows:

The unquoted bond has a maturity expiring 29 May 2020 and the amount receivable on maturity is \$1,000,000. The rate of interest is 10% (2018: 10 %) receivable quarterly. The fair value (Level 2) of the unquoted bond was estimated by discounting the future cash flows repayable under the terms of the bond receivables in 5 months using the reporting year end market interest rate of 0.83%. If the input (market interest rate) to the valuation model was higher, the fair value would be lower.

The debt investments carried at FVTOCI are subject to the expected credit loss model under the standard on financial instruments. The debt investments at FVTOCI are considered to have low credit risk, and the loss allowance recognised during the reporting year is limited to 12 months expected losses. Listed bonds are regarded as of low credit risk if they have an investment grade credit rating with one or more reputable rating agencies. Other bonds are regarded as of low credit risk if they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The methodology applied for impairment loss depends on whether there has been a significant increase in credit risk.

	<u>Group and Company</u>		
	<u>31 December 2019</u> RMB'000	<u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000
Balances with investment grade credit rating with one or more reputable rating agencies	5,176	5,043	–

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31 December 2019

16. Other financial assets (cont'd)

16C. Other financial assets, non-current

	<u>31 December 2019</u>	<u>Group and Company</u> <u>31 December 2018</u>	<u>1 January 2018</u>
	RMB'000	RMB'000	RMB'000
Unquoted equity shares, at cost			
At 1 January	–	17,066	–
Addition	–	–	17,066
Transfer	–	(17,066)	–
At 31 December	<u>–</u>	<u>–</u>	<u>17,066</u>
Less: Accumulated impairment loss			
At 1 January	–	(17,066)	–
Amount recognised during the year	–	–	(17,066)
Transfer	–	17,066	–
At 31 December	<u>–</u>	<u>–</u>	<u>(17,066)</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.

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 transferred its 60% equity interest in the investee back to the Vendor 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.

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31 December 2019

17. Other assets, non-current

	Land use rights RMB'000	Group Prepaid leases - land RMB'000	Total RMB'000
At 1 January 2018	119	875	994
Amortisation for the year	(4)	(26)	(30)
Reversal of impairment loss for the year	-	1,239	1,239
At 31 December 2018	115	2,088	2,203
Amortisation for the year	(4)	(58)	(62)
Reversal of impairment loss for the year	-	233	233
Disposal	-	(1,207)	(1,207)
At 31 December 2019	111	1,056	1,167
Represented by:			
Cost of acquisition	161	2,263	2,424
Amortisation allowance	(50)	(531)	(581)
Accumulated impairment loss	-	(676)	(676)
	111	1,056	1,167
	<u>31 December 2019</u>	<u>31 December 2018</u>	<u>1 January 2018</u>
	RMB'000	RMB'000	RMB'000
Non-current portion	1,137	1,976	961
Current portion (Note 21)	30	227	33
Total	1,167	2,203	994

During the financial year ended 31 December 2019, the Group recognised a reversal of impairment loss of RMB 233,000 (2018: RMB1,239,000) on prepaid leases mainly due to asset reconditioning via repair and maintenance.

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 2019

17. 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

18. Biological assets

	<u>31 December 2019</u> RMB'000	<u>Group</u> <u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000
Abalone	-	1,816	3,234
<u>Movement in fair value</u>			
At beginning of year	1,816	3,234	6,404
Additions	160	507	278
Disposal	(5,056)	(16,311)	(11,510)
Increase in fair value costs to sell	3,080	14,386	8,062
At end of year	-	1,816	3,234

For the reporting year ended 31 December 2018, 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.

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19. Inventories

	<u>31 December 2019</u> RMB'000	<u>Group</u> <u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000
Inventories, at cost	2,945	3,315	86
The amount of inventories included in cost of sales	6,762	1,870	2,359

20. Trade and other receivables, current

	<u>31 December 2019</u> RMB'000	<u>Group</u> <u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000
<u>Trade receivables:</u>			
Outside parties	71,044	67,840	65,652
Less: Allowance for impairment	(65,652)	(65,652)	(65,652)
Net trade receivables – subtotal	5,392	2,188	–
<u>Other receivables:</u>			
Outside parties	8,029	8,477	8,957
Less: Allowance for impairment	(4,450)	(8,450)	–
Deposits	103	391	97
Net other receivables – subtotal	3,682	418	9,054
Total trade and other receivables	9,074	2,606	9,054

	<u>31 December 2019</u> RMB'000	<u>Group</u> <u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000
Movements in above allowance on trade receivables:			
At beginning of the year	(65,652)	(65,652)	(65,652)
At end of the year	(65,652)	(65,652)	(65,652)

Movements in above allowance on other receivables:			
At beginning of the year	(8,450)	–	(1,401)
Reversal/(charge) for other receivables to profit or loss included in other operating expenses	4,000	(8,450)	–
Bad debts written off	–	–	1,401
At end of the year	4,450	(8,450)	–

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20. Trade and other receivables (cont'd)

	<u>31 December 2019</u> RMB'000	<u>Company</u> <u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000
<u>Other receivables:</u>			
Subsidiaries (Note 3)	1,207,843	1,199,534	1,142,928
Less: Allowance for impairment	(1,198,099)	(1,194,204)	(1,133,021)
Net other receivables	<u>9,744</u>	<u>5,330</u>	<u>9,907</u>
	<u>31 December 2019</u> RMB'000	<u>Company</u> <u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000
Movements in above allowance on other receivables:			
At beginning of the year	(1,194,204)	(1,133,021)	(1,095,913)
Charge for other receivables to profit or loss included in other operating expenses	(8,676)	(20,243)	(20,903)
Reversed for other receivables to profit or loss included in other operating income	35,679	-	-
Foreign exchange differences	(30,898)	(40,940)	(16,205)
At end of the year	<u>(1,198,099)</u>	<u>(1,194,204)</u>	<u>(1,133,021)</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 (2018: 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

20. Trade and other receivables (cont'd)

Concentration of trade receivable customers as at the end of reporting year:

	<u>31 December 2019</u> RMB'000	<u>Group</u> <u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000
Top 1 customer	805	478	–
Top 2 customers	1,231	880	–
Top 3 customers	<u>1,582</u>	<u>1,123</u>	<u>–</u>

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 RMB4,450,000 (2018: RMB8,450,000) for the Group and RMB1,198,099,000 (2018: RMB1,194,204,000) 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.

21. Other assets, current

	<u>31 December 2019</u> RMB'000	<u>Group</u> <u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000
Prepaid lease – current portion (Note 17)	30	227	33
Prepayments	<u>154</u>	<u>1,087</u>	<u>11</u>
	<u>184</u>	<u>1,314</u>	<u>44</u>

	<u>31 December 2019</u> RMB'000	<u>Company</u> <u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000
Prepayments	<u>–</u>	<u>79</u>	<u>–</u>

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22. Cash and cash equivalents

	<u>31 December 2019</u> RMB'000	<u>Group</u> <u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000
Not restricted in use	87,752	96,367	114,164
		<u>Company</u> <u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000
Not restricted in use	38,813	16,382	38,495

As at 31 December 2019, the Group had cash and bank balances of RMB35,071,000 (2018: RMB70,375,000) 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.

22A. Reconciliation of liabilities arising from financing activities

	<u>Beginning</u> <u>of the year</u> RMB'000	<u>Cash flows</u> RMB'000	<u>Non-cash</u> <u>changes</u> RMB'000		<u>End of the</u> <u>year</u> RMB'000
<u>2019</u>					
Lease liabilities (Note 28)	1,560	(813)	328	(a) (b)	1,075
Borrowings (Note 25)	3,395	731	106	(c)	4,232
Amount due to director	5,591	621	–		6,212
Total liabilities from financing activities	10,546	539	434		11,519

There are no reconciliation amounts for the non-cash changes in liabilities arising from financing activities for year 2018.

- (a) Acquisition
- (b) Accretion of interest
- (c) Foreign exchange movements

23. Share capital

	<u>Company</u> <u>Number</u> <u>of shares issued</u>	<u>Share capital</u> RMB'000
Ordinary shares of no par value:		
Balance at 1 January 2018, 31 December 2018 and 31 December 2019	24,296,921,463	3,278,100

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.

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23. Share capital (cont'd)

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.

24. Reserves

	<u>31 December 2019</u> RMB'000	<u>Group</u> <u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000
Capital reserve	(1,137,504)	(1,137,504)	(1,120,438)
Currency translation reserve	(2,123)	(2,067)	1,530
Fair value reserve	(133)	–	–
Statutory reserve	39,262	39,262	39,262
Accumulated losses	(2,063,321)	(2,042,569)	(2,104,762)
	<u>(3,163,819)</u>	<u>(3,142,878)</u>	<u>(3,184,408)</u>
		<u>Company</u>	
	<u>31 December 2019</u> RMB'000	<u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000
Capital reserve	11,229	11,229	28,295
Currency translation reserve	(18,983)	(9,212)	(6,215)
Fair value reserve	(133)	–	–
Accumulated losses	(3,252,752)	(3,288,540)	(3,284,229)
	<u>(3,260,639)</u>	<u>(3,286,523)</u>	<u>(3,262,149)</u>

NOTES TO THE FINANCIAL STATEMENTS

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24. Reserves (cont'd)

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.

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.

25. Borrowings

	<u>31 December 2019</u> RMB'000	<u>Group</u> <u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000
Outside parties (unsecured)	3,484	3,395	3,384
Trust receipts (Note 25A)	748	–	–
Total borrowings	<u>4,232</u>	<u>3,395</u>	<u>3,384</u>
	<u>31 December 2019</u> RMB'000	<u>Company</u> <u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000
Outside parties (unsecured)	3,484	3,395	3,384
Total borrowings	<u>3,484</u>	<u>3,395</u>	<u>3,384</u>

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

25A. Trust receipts

Trust receipts are interest bearing at floating rate ranging from 4.34% to 4.58% (2018: Nil) per annum and are secured by a corporate guarantee from the Company.

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26. Convertible loans

	31 December 2019 RMB'000	<u>Group and Company</u> 31 December 2018 RMB'000	1 January 2018 RMB'000
Current			
Convertible loans	—	—	—
At beginning of year	—	—	298,824
Interest	—	—	(1,403)
Transfer to interest payable	—	—	(2,246)
Transfer from accrued interest	—	—	(3,129)
Redemption of convertible loans	—	—	(313,910)
Loss on redemption of convertible loans	—	—	16,534
Exchange difference on translation	—	—	5,330
At end of year	—	—	—

During the financial year ended 31 December 2017, the convertible loans were redeemed pursuant to the Debt Restructuring. The redemption amount, based on the fair value of the convertible loans, was satisfied by issuance of 17,346, 830,844 new shares in the share capital of the Company and cash payment of RMB 62,578,000.

27. Trade and other payables

	31 December 2019 RMB'000	<u>Group</u> 31 December 2018 RMB'000	1 January 2018 RMB'000
<u>Trade payables:</u>			
Outside parties and accrued liabilities	6,369	22,613	10,218
Trade payables – subtotal	6,369	22,613	10,218
<u>Other payables:</u>			
Outside parties	27,057	1,041	9,040
Accrued expenses	21,530	25,437	33,204
Accrued staff costs	—	1,248	18,075
Director (Note 3)	6,212	5,591	—
Other payables – subtotal	54,799	33,317	60,319
Total trade and other payables	61,168	55,930	70,537
		<u>Company</u>	
	31 December 2019 RMB'000	31 December 2018 RMB'000	1 January 2018 RMB'000
<u>Other payables:</u>			
Subsidiaries (Note 3)	107,462	106,196	102,489
Accrued expenses	7,081	7,448	6,427
Accrued staff costs	—	—	1,640
Total other payables	114,543	113,644	110,556

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28. Lease liabilities

	31 December 2019 RMB'000	Group 31 December 2018 RMB'000	1 January 2018 RMB'000
Lease liabilities, non-current	244	–	–
Lease liabilities, current	831	–	–
	<u>1,075</u>	<u>–</u>	<u>–</u>

Movements in lease liabilities are as follows:

	Group 31 December 2019 RMB'000
At beginning of year	1,560
Additions	297
Accretion of interest	49
Repayments	(813)
Foreign exchange adjustments	(18)
At end of year	<u>1,075</u>

The new standard on leases has been applied using the modified retrospective transition approach. Therefore no comparative amounts for the year ended 31 December 2018 are presented.

The lease liabilities above do not include short-term leases of less than 12 months and leases of low-value underlying assets. Variable lease payments which do not depend on an index or a rate or based on a percentage of revenue are not included from the initial measurement of the lease liabilities and the right-to-use assets. The right-to-use assets are disclosed in Note 12.

Only variable lease payments that depend on an index or a rate, or payments that vary to reflect changes in market rental rates, are included in the measurement of the lease liabilities. Such variable amounts that are unpaid at commencement date are included in the measurement of lease liabilities. Variable lease payments would also include extension options and termination options, residual value guarantees, and leases not yet commenced to which the lessee is committed. Variable lease payments that are based on revenue are recognised in profit or loss in the year in which the condition that triggers those payments occurs.

On transition to the new standard on leases, the weighted average incremental borrowing rate applied to lease liabilities recognised was 5.25% per annum.

Reconciliation of lease commitments and lease liabilities at date of initial application is as follows:

	Group 1 January 2019 RMB'000
Operating lease liabilities before discounting	1,654
Discounted using incremental borrowing rate	(94)
Operating lease liabilities as at 1 January 2019 upon adoption of FRS 116	<u>1,560</u>

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28. Lease liabilities (cont'd)

A summary of the maturity analysis of lease liabilities that shows the remaining contractual maturities is as follows:

<u>2019</u>	<u>Minimum payments</u> RMB'000	<u>Finance charges</u> RMB'000	<u>Present value</u> RMB'000
Not later than 1 year	870	(39)	831
Between 1 and 3 years	265	(21)	244
	<u>1,135</u>	<u>(60)</u>	<u>1,075</u>

Subsequent to initial measurement, the liabilities will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liabilities are re-measured, the corresponding adjustments are reflected in right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

There were no future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities above.

At reporting year date there were no commitments on leases which had not yet commenced.

Apart from the disclosures made in other notes to financial statements, amounts relating to leases include the following:

	<u>2019</u> RMB'000
Expenses relating to leases of low-value assets included in administrative expense	<u>100</u>

29. Other non-financial liabilities

	<u>31 December 2019</u> RMB'000	<u>Group</u> <u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000
Advances from customers	1,532	2,354	1,582
Rental deposits	830	893	3,444
	<u>2,362</u>	<u>3,247</u>	<u>5,026</u>

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30. Discontinued operation

Since the financial year ended 31 December 2011, the Group ceased the operations of the food and beverage segment. Since 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.

	Group	
	2019 RMB'000	2018 RMB'000
Other operating income (Note 6)	83	2,156
Other operating expenses (Note 6)	(9)	(394)
Profit before income tax	74	1,762
Income tax	–	–
Profit for the year	<u>74</u>	<u>1,762</u>

31. (Loss)/earnings per share

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

	Group	
	2019 RMB'000	2018 RMB'000
A. Numerators: Earnings attributable to equity holders		
– Continuing operations	(20,752)	62,193
– Discontinued operation	74	1,762
	<u>(20,678)</u>	<u>63,955</u>
B. Denominators: weighted average number of equity shares		
Basic and diluted	<u>24,296,921,463</u>	<u>24,296,921,463</u>
Continuing operation		
(Loss)/earnings per share (fen)		
– Basic	(0.09)	0.25
– Diluted	<u>(0.09)</u>	<u>0.25</u>
Discontinued operation		
Earnings per share (fen)		
– Basic	0.00	0.01
– Diluted	<u>0.00</u>	<u>0.01</u>
(Loss)/earnings for the year		
(Loss)/earnings per share (fen)		
– Basic	(0.10)	0.26
– Diluted	<u>(0.10)</u>	<u>0.26</u>

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32. Operating lease income commitments – as lessor

A maturity analysis of the undiscounted lease amounts to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years is as follows:

	<u>31 December 2019</u> RMB'000	<u>Group</u> <u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000
Not later than one year	2,205	952	479
Between 1 and 3 years	2,078	1,290	144
Total	<u>4,283</u>	<u>2,242</u>	<u>623</u>
Rental income for the year	<u>1,025</u>	<u>628</u>	<u>1,400</u>

Operating lease income commitments are for certain farms. 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.

33. Acquisition of subsidiary

33A. Acquisition of subsidiary – AP Media Pte. Ltd.

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.

This acquisition is for the expansion of the Group's existing marketing, media and brand consultancy services. AP Media Pte Ltd has customers in China, Malaysia and Cambodia, hence the acquisition will allow the Group to quickly expand its services reach within the region.

The consideration transferred was as follows:

	<u>2019</u> RMB'000
Purchase consideration	<u>1,980</u>

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33. Acquisition of subsidiary (cont'd)

33A. Acquisition of subsidiary – AP Media Pte. Ltd. (cont'd)

The fair values of identifiable assets acquired and liabilities assumed shown below for AP Media Pte. Ltd. are provisional as the hindsight period (of not more than twelve months) allowed by the financial reporting standard on business combinations has not yet expired. A detailed report from an independent professional valuer on the fair values is expected to be available before the end of the next reporting year.

	Pre-acquisition book value under FRS RMB'000	Provisional fair value RMB'000
<u>At 18 March 2019</u>		
Property, plant and equipment	303	303
Trade and other receivables	3,578	3,578
Cash and cash equivalents	1,761	1,761
Trade and other payables	(5,455)	(5,455)
Deferred tax liabilities	(50)	(50)
Net identifiable assets	<u>137</u>	<u>137</u>
Less: Non-controlling interest		(67)
Net identifiable assets acquired		70
Goodwill arising from acquisition (Note 13)		1,910
Purchase consideration		<u>1,980</u>

Net cash outflow on acquisition is as follows:

Cash consideration paid	1,980
Less: Cash and cash equivalents in subsidiary acquired	(1,761)
Net cash outflow on acquisition	<u>219</u>

The contributions from the acquired subsidiary for the period between the date of acquisition and the end of the reporting year were as follows:

	Group	
	From date of acquisition in <u>2019</u> RMB'000	For the reporting year <u>2019</u> RMB'000
Revenue	10,597	10,597
Profit before income tax	<u>2,122</u>	<u>1,837</u>

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33. Acquisition of subsidiary (cont'd)

33B. Acquisition of subsidiary – Alps Group Pte. Ltd.

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 14 for principal activities). The transaction was accounted for using the acquisition method of accounting.

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).

This acquisition is for the expansion of the Group's existing trading segment as Alps Group Pte Ltd has an established distribution network in Southeast Asia.

The consideration transferred was as follows:

	<u>2018</u> 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	Fair values used 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 13)		<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>

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31 December 2019

33. Acquisition of subsidiary (cont'd)

33B. Acquisition of subsidiary – Alps Group Pte. Ltd. (cont'd)

Management has since finalised the purchase price allocation exercise and identified the fair value of the identifiable assets, liabilities and contingent liabilities at date of acquisition. No changes in the goodwill arising from acquisition from previously reported.

Goodwill arising on acquisition:

The goodwill arising on acquisition is as follows

	2018 RMB'000
Consideration transferred (see above table)	5,143
Non-controlling interests at fair value	1,705
Fair value of identifiable net assets acquired	<u>(3,480)</u>
Goodwill arising on acquisition	<u><u>3,368</u></u>

34. Financial instruments: information on financial risks

34A. 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 2019</u> RMB'000	<u>Group</u> <u>31 December 2018</u> RMB'000	<u>1 January 2018</u> RMB'000
<u>Financial assets:</u>			
Financial assets at amortised cost	96,826	98,973	123,218
Financial assets at FVTPL	791	–	–
Financial assets that is a debt asset instrument FVTOCI	5,176	5,043	–
At end of the year	<u>102,793</u>	<u>104,016</u>	<u>123,218</u>
<u>Financial liabilities:</u>			
Financial liabilities at amortised cost	66,475	59,325	73,921
At end of the year	<u>66,475</u>	<u>59,325</u>	<u>73,921</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

34A. Categories of financial assets and liabilities (cont'd)

	<u>31 December 2019</u>	<u>Company</u> <u>31 December 2018</u>	<u>1 January 2018</u>
	RMB'000	RMB'000	RMB'000
<u>Financial assets:</u>			
Financial assets at amortised cost	48,557	21,712	48,402
Financial assets that is a debt asset instrument FVTOCI	5,176	5,043	–
At end of the year	<u>53,733</u>	<u>26,755</u>	<u>48,402</u>
<u>Financial liabilities:</u>			
Financial liabilities at amortised cost	118,027	117,039	113,940
At end of the year	<u>118,027</u>	<u>117,039</u>	<u>113,940</u>

Further quantitative disclosures are included throughout these financial statements.

34B. 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.

34C. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

34D. 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 22 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.

34E. 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 (2018: 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>Group</u>		
	<u>Less than</u> <u>1 year</u> RMB'000	<u>2 – 5 years</u> RMB'000	<u>Total</u> RMB'000
<u>2019:</u>			
Trade and other payables	61,168	–	61,168
Gross borrowings commitments	4,236	–	4,236
Gross finance lease obligations	870	265	1,135
At end of year	<u>66,274</u>	<u>265</u>	<u>66,539</u>
<u>2018:</u>			
Trade and other payables	55,930	–	55,930
Gross borrowings commitments	3,395	–	3,395
At end of year	<u>59,325</u>	<u>–</u>	<u>59,325</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

34E. Liquidity risk – financial liabilities maturity analysis (cont'd)

	<u>Company</u>		
	<u>Less than 1 year</u> RMB'000	<u>2 – 5 years</u> RMB'000	<u>Total</u> RMB'000
<u>2019:</u>			
Trade and other payables	114,543	–	114,543
Gross borrowings commitments	3,484	–	3,484
At end of year	<u>118,027</u>	<u>–</u>	<u>118,027</u>
<u>2018:</u>			
Trade and other payables	113,644	–	113,644
Gross borrowings commitments	3,395	–	3,395
At end of year	<u>117,039</u>	<u>–</u>	<u>117,039</u>

34F. 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.

34G. 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>2019</u> RMB'000	<u>2018</u> RMB'000
<u>Financial assets:</u>		
Cash and cash equivalents	529	1,544
Loans and other receivables	427	181
Total financial assets	<u>956</u>	<u>1,725</u>
<u>Financial liabilities:</u>		
Trade and other payables	(433)	(25)
Borrowings	(748)	–
Total financial liabilities	<u>(1,181)</u>	<u>(25)</u>
Net financial assets at end of year	<u>(225)</u>	<u>1,700</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 2019

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

34H. Equity price risks

There are investments in equity shares or similar instruments. Such investments are exposed to both currency risk and market price risk arising from uncertainties about future values of the equity shares. The fair values of these equity shares and sensitivity analysis are disclosed in Notes 16.

35. Reconciliation of announced unaudited full year financial information on 28 February 2020 and audited financial information for the year ended 31 December 2019

Consolidated Statement of Profit or Loss

	Announced results on 28 February 2020 RMB'000	Reconciliation (see note below) RMB'000	Audited results RMB'000
Revenue	49,038	–	49,038
Other operating income	4,018	2,551 PL1 1,106 PL2 418 PL3 4,804 PL6 233 PL4	13,130
Cost of inventories	(38,756)	–	(38,756)
Gain arising from changes in fair value less costs to sell biological assets	3,080	–	3,080
Employee benefits expense	(14,547)	(151) PL5 (22) PL9	(14,720)
Depreciation and amortisation expense	(12,560)	(62) PL8	(12,622)
Other operating expenses	(14,254)	(1,106) PL2 (1,212) PL4 49 PL7 62 PL8 (10) PL9 777 PL10 (3,368) PL11	(19,062)
Finance cost	–	(49) PL7	(49)
Share of loss from equity-accounted joint venture	(374)	374 B2	–
Loss before taxation	(24,355)		(19,961)
Income tax income	48	–	48
Loss for the year from continuing operations	(24,307)		(19,913)
Discontinued operations			
Profit for the year from discontinued operations	4,878	(4,804) PL6	74
Loss for the year	(19,429)	(410)	(19,839)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

35. Reconciliation of announced unaudited full year financial information on 28 February 2020 and audited financial information for the year ended 31 December 2019 (cont'd)

Statement of Financial Position

	Announced results on 28 February 2020 RMB'000	Reconciliation (see note below) RMB'000		Audited results RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	97,474	2,551	PL1	100,025
Right-of-use assets	905	166	B1	1,071
Goodwill	5,278	(3,368)	B12	1,910
Investment in joint arrangements	–	–		–
Other financial assets, non-current	413	378	B2	791
Other assets, non-current	2,306	(166)	B1	1,137
		(30)	B3	
		(973)	PL4	
Total non-current assets	<u>106,376</u>			<u>104,934</u>
Current assets				
Biological assets	–	–		–
Inventories	2,818	127	B8	2,945
Trade and other receivables	14,732	(5,176)	B4	9,074
		(154)	B5	
		(328)	PL3	
Other assets, current	–	30	B3	184
		154	B5	
Other financial assets, current	–	5,176	B4	5,176
Cash and bank balances	87,752	–		87,752
Total current assets	<u>105,302</u>			<u>105,131</u>
Total assets	<u>211,678</u>			<u>210,065</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	2,794,067	484,033	B6	3,278,100
Reserves	(2,679,292)	(484,033)	B6	(3,163,819)
		382	B2	
		2,551	PL1	
		418	PL3	
		(973)	PL4	
		(151)	PL5	
		777	PL10	
		(130)	B9	
		(3,368)	PL11	
Equity attributable to owners of the Company	<u>114,775</u>			<u>114,281</u>
Non-controlling interests	2,817	130	B9	2,947
Total equity	<u>117,592</u>			<u>117,228</u>
Non-current liabilities				
Deferred tax liabilities	52	–		52
Lease liabilities	409	(165)	B7	244
Total non-current liabilities	<u>461</u>			<u>296</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

35. Reconciliation of announced unaudited full year financial information on 28 February 2020 and audited financial information for the year ended 31 December 2019 (cont'd)

Statement of Financial Position (cont'd)

	Announced results on 28 February 2020 RMB'000	Reconciliation (see note below) RMB'000	Audited results RMB'000
<u>Current liabilities</u>			
Income tax payable	23,948	–	23,948
Trade and other payables	64,779	(750) PL3 151 PL5 127 B8 (777) B10 (2,362) B11	61,168
Borrowings, current	4,232	–	4,232
Convertible loans, current	–	–	–
Lease liabilities	666	165 B7	831
Other non-financial liabilities	–	2,362 B11	2,362
Total current liabilities	<u>93,625</u>		<u>92,541</u>
Total liabilities	<u>94,086</u>		<u>92,837</u>
Total equity and liabilities	<u>211,678</u>		<u>210,065</u>

Note:

- PL1:** This adjustment represents reversal of impairment loss on property, plant and equipment.
- PL2:** This adjustment represents reclassification of foreign exchange gain from other operating expenses.
- PL3:** This adjustment represents correction of overstatement of trade payable and advance payment to supplier.
- PL4:** This adjustment represents loss on disposal of prepaid leases.
- PL5:** This adjustment represents correction of underprovision in salaries and CPF.
- PL6:** This adjustment represents reclassification of income from discontinued operations.
- PL7:** This adjustment represents reclassification of finance cost from other operating expenses.
- PL8:** This adjustment represents reclassification of amortisation of prepaid lease from other operating expenses.
- PL9:** This adjustment represents adjustment to the non-controlling interests during the year.
- PL10:** This adjustment represents bad debts written off other receivables from joint arrangement and reversal of impairment loss on investment in joint arrangement.
- PL11:** This adjustment represents allowance of impairment on goodwill.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

35. Reconciliation of announced unaudited full year financial information on 28 February 2020 and audited financial information for the year ended 31 December 2019 (cont'd)

Note:

- B1:** This adjustment represents reclassification of right-of-use asset from other assets, non-current.
- B2:** This adjustment represents reversal of share of loss of joint arrangement wrongly recorded.
- B3:** This adjustment represents reclassification of prepaid lease, current from other assets, non-current to other assets, current.
- B4:** This adjustment represents reclassification of financial assets that is a debt asset instrument FVTOCI from trade and other receivables to other financial assets, current.
- B5:** This adjustment represents reclassification of prepayments from trade and other receivables to other assets, current.
- B6:** This represents prior year adjustments arising from revision of the audited financial statements for the financial year ended 31 December 2017
- B7:** This adjustment represents reclassification of lease liabilities, current from lease liabilities, non-current.
- B8:** This adjustment represents recording of inventories and trade payables as at year end.
- B9:** This adjustment is due to increase in subsidiary's profit for the year which in turn increase the non-controlling interest balance as at year end.
- B10:** This adjustment represents the cost of investment in joint venture was offset against payable to joint venture due to cost of investment was refunded for the year.
- B11:** This adjustment represents reclassification of other non-financial liabilities from trade and other payables.
- B12:** This adjustment represents allowance of impairment on goodwill.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

36. Events after the end of the reporting year

- On 2 January 2020, the Group's wholly-owned subsidiary, Oceanus Investment Holdings Pte. Ltd. ("OIH"), has incorporated the following entity in Singapore:

Name of company :	Season Global Trading Pte. Ltd. ("SGTPL")
Place of incorporation :	Singapore
Issued and paid-up share capital :	RMB 5,000 (S\$1,000 comprising 1,000 ordinary shares of S\$1 each)
Interest :	OIH holding 50.1% in SGTPL and Season Hong International Trading Limited ("Season Hong") holding 49.9% in SGTPL
Principal Activity :	Operation of wholesale trade of a variety of goods and general warehousing.

This entity is part of a strategic partnership with Season Hong. Since then, through the partnership, SGTPL has leveraged on Season Hong's experience, track record, and extensive sales network to gain access to new geographical markets and widen its customer base.

With a joint capital injection of RMB20.7 million (equivalent to S\$4 million) into the entity, and a further RMB82.8 million (equivalent to S\$16 million) planned in June 2020, totalling RMB103.5 million (equivalent to S\$20 million) from both parties, this represents the Group's most significant investment to date.

- Since January 2020, the epidemic outbreak of Covid-19 has caused disruptions to the Group's business operations which is located in Fujian of the PRC. The emergency public health measures and various actions have been in place to prevent the spread of Covid-19, including the restrictions from the workplace and home place quarantines when employees returned to work from their hometowns. The Group will continue to perform its risk assessment and monitor the situation closely until Covid-19 is gradually contained. While the circumstances of Covid-19 are evolving rapidly, an estimate of its financial impact to the Group up to the approval of the financial statements may not be appropriate as it may be subject to material changes. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year 2020 based from different assumptions could require material adjustments to the carrying amounts of the balances affected.

37. 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. Adoption of the applicable new or revised standards has resulted in some changes in the detailed application of the accounting policies and some modifications to financial statements presentation and measurement as disclosed below.

<u>SFRS No.</u>	<u>Title</u>
SFRS (I) 16	Leases (and Leases - Illustrative Examples & Amendments to Guidance on Other Standards)
SFRS(I) 1-28	Amendments to Long-term Interests in Associates and Joint Ventures
SFRS (I) INT 23	Uncertainty over Income Tax Treatments
SFRS (I) 1-12	Improvements (2017) – Amendments: Income Taxes
SFRS (I) 1-23	Improvements (2017) – Amendments: Borrowing Costs
SFRS (I) 3	Improvements (2017) – Amendments: Business Combinations
SFRS (I) 11	Improvements (2017) – Amendments: Joint Arrangements

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

37. Changes and adoption of financial reporting standards (cont'd)

Changes in accounting policies and restatements of comparative figures

SFRS (I) 16 *Leases* is effective for annual periods beginning on or after 1 January 2019 and it supersedes the previous reporting standard and the related interpretations on leases.

For the lessee, almost all leases are brought onto the statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Thus, the Company has recognised a right-of-use asset and a corresponding liability in respect of all these leases (unless they qualify for low value or short-term leases) which might have a material impact on the amounts recognised in the financial statements. The amount by which each financial statement line item is impacted (debits/(credits)) in the current reporting year ended 31 December 2019 by the application of the new standard on leases are disclosed in Note 12 and 28. The Company elected to apply the modified retrospective approach for this standard new standard on leases. Under the modified retrospective approach, the comparative information is not restated and therefore there is no presentation of a third column for the statement of financial position. Any cumulative effect of initially applying this standard is recorded as an adjustment to the opening balance of retained earnings at the date of initial application.

	At 1 January 2019, <u>after adjustment</u> RMB'000	At 1 January 2019, <u>before adjustment</u> RMB'000	<u>Adjustment</u> RMB'000
<u>Group</u>			
Rights-of-use assets	1,560	–	1,560
Lease liabilities	<u>(1,560)</u>	<u>–</u>	<u>(1,560)</u>

38. 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 No.</u>	<u>Title</u>	<u>Effective date for periods beginning on or after</u>
SFRS (I) 3	Definition of a Business – Amendments	1 Jan 2020
SFRS (I) 1-1 and 1-8	Definition of Material – Amendments to The Conceptual Framework for Financial Reporting	1 Jan 2020
SFRS (I)10 and SFRS (I) 1-28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture	Not fixed yet

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

39. Restatement of comparative figures

The management had 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.

On 25 March 2020, the Group announced the issuance of the revised audited financial statements for the financial year ended 31 December 2017 ("revised financial statements") prepared in accordance with the Companies (Revision of Defective Financial Statements, or Consolidated Financial Statements or Balance-Sheet) Regulations 2018 (Companies Regulation 2018). The audit report for financial year ended 31 December 2018 was qualified because of the carryforward of the 2017 figures. Consequent to the issuance of the revised financial statements for 2017, the financial statements for the financial year ended 31 December 2018 were restated as follows:

	<u>Before</u> <u>restatement</u> RMB'000	<u>Adjustments</u> RMB'000	<u>After</u> <u>restatement</u> RMB'000
<u>Group</u>			
<u>Statement of comprehensive income</u>			
Other operating income	63,292	13,290	76,582
Depreciation and amortisation	(12,169)	(51)	(12,220)
Other operating expenses	(12,967)	172	(12,795)
Exchange differences on translating foreign operations, net of tax	(7,205)	3,608	(3,597)
<u>Statement of financial position</u>			
Share capital	2,794,067	484,033	3,278,100
Reserves	(2,658,845)	(484,033)	(3,142,878)
<u>Consolidated statement of cash flows</u>			
<u>Cash flows from operating activities</u>			
Depreciation of property, plant and equipment	11,967	51	12,018
Amortisation of prepaid leases	202	(172)	30
Reversal of impairment loss on prepaid leases	–	(1,239)	(1,239)
Loss on disposal of prepaid leases	3,613	(3,613)	–
Reversal of impairment loss on property, plant and equipment	(36,847)	(12,051)	(48,898)
Unrealised foreign exchange gain	(7,804)	3,743	(4,061)
<u>Company</u>			
<u>Statement of financial position</u>			
Share capital	2,794,067	484,033	3,278,100
Reserves	(2,802,490)	(484,033)	(3,286,523)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

39. Restatement of comparative figures (cont'd)

The adjustments are for the correction of the following matters:

- (a) gain on redemption of convertible loans incorrectly recognised during the year ended 31 December 2017;
- (b) fair value adjustments on shares issued to investors, third party lenders, directors and service providers for the financial year ended 31 December 2017; and
- (c) account for the effect of reversals of impairment losses on certain property, plant and equipment and prepaid leases.

STATISTICS OF SHAREHOLDINGS

STATISTICS OF SHAREHOLDINGS

As at 29 May 2020

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	55	0.66	2,174	0.00
100 – 1,000	232	2.79	168,677	0.00
1,001 – 10,000	1,501	18.06	11,858,799	0.05
10,001 – 1,000,000	5,992	72.11	936,631,525	3.85
1,000,001 AND ABOVE	530	6.38	23,348,260,288	96.10
TOTAL	8,310	100.00	24,296,921,463	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	8,838,017,759	36.38
2	UOB KAY HIAN PRIVATE LIMITED	2,137,204,147	8.80
3	MUCHOVIE INVESTMENT LTD	1,200,000,000	4.94
4	DBSN SERVICES PTE. LTD.	1,110,369,310	4.57
5	KHI INVEST LTD	1,035,248,771	4.26
6	ESSENTRADE LIMITED	864,912,256	3.56
7	NEO BEE HONG	550,350,639	2.27
8	SIGMA SHARES LIMITED	509,231,363	2.10
9	PENTANA INVESTMENT LTD	500,000,851	2.06
10	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	386,128,093	1.59
11	THOMAS CHAN HO LAM	364,505,387	1.50
12	FULL HORIZON INVESTMENTS LIMITED	340,143,104	1.40
13	CHEN YONG SHUN	274,575,320	1.13
14	GOH LAY HUA (WU LIHUA)	274,575,320	1.13
15	KOH KENG GUAN	274,575,320	1.13
16	HERY SUPARMAN	270,190,492	1.11
17	EMEC HOLDINGS PTE LTD	258,292,452	1.06
18	DBS NOMINEES (PRIVATE) LIMITED	249,643,577	1.03
19	LAU CHEOK JOO RICHARD	200,000,000	0.82
20	WOON KOCK KUAN PATRICK	200,000,000	0.82
	TOTAL	19,837,964,161	81.66

STATISTICS OF SHAREHOLDINGS

As at 29 May 2020

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

	Direct Interest		Deemed Interest	
	No. of Shares	% ¹	No. of Shares	% ¹
Ocean Wonder International Limited	4,795,668,398	19.70	–	–
AIF Capital Asia III, LP	–	–	4,795,668,398	19.70 ²
AIF Capital Asia III GP Limited	–	–	4,795,668,398	19.70 ²
AIF Capital Partners Holdings, L.P.	–	–	4,795,668,398	19.70 ²
AIF Capital Partners, Ltd.	–	–	4,795,668,398	19.70 ²
Peter F. Amour	–	–	4,795,668,398	19.70 ²
Varina Group Limited	–	–	4,795,668,398	19.70 ²
Theresa Yuk Mui Chung	–	–	4,795,668,398	19.70 ²
Stephen Lee	13,100,681	0.05	4,795,668,398	19.74 ³
Peter Koh Heng Kang	2,486,188,837	10.23	–	–
Alacrity Investment Group Limited	1,750,000,000	7.20	–	–
Cleveland Cuaca	–	–	1,750,000,000	7.20 ⁴
Bryan Tan Jie	–	–	1,750,000,000	7.20 ⁴
Thomas Chan Ho Lam	1,376,220,416	5.66	98,654,281	0.41 ⁵

Notes:

- 1 Computed based on 24,296,921,463 shares, being the total number of issued voting shares of the Company as at 29 May 2020.
- 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. Accordingly, each of AIF LP, AIF GP and AIF CPH LP are deemed to have an interest in the shares held by OWIL.

AIF Capital Partners, Ltd. ("AIF Ltd") is the general partner of AIF CPH LP. Peter F. Amour and Theresa Yuk Mui Chung 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 Peter F. Amour.

Following from the above, each of VGL, Peter F. Amour and Theresa Yuk Mui Chung are deemed to have an interest in the shares held by OWIL.
- 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 Cleveland Cuaca and Bryan Tan Jie are the only substantial shareholders of Alacrity Investment Group Limited ("Alacrity"). Accordingly, Cleveland Cuaca and Bryan Tan Jie are deemed to be interested in the shares held by Alacrity in Oceanus Group Limited.
- 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 29 May 2020, approximately 53.73% 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.

NOTICE OF 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 convened and held by way of electronic means on Monday, 29 June 2020 at 11.00 a.m., for the following purposes:

As Ordinary Business

1. To receive and adopt the re-issued and restated Audited Financial Statements for the financial year ended 31 December 2017 together with the Directors’ Statement and the Independent Auditor’s Report. **(Resolution 1)**
2. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2019 together with the Directors’ Statement and the Independent Auditor’s Report. **(Resolution 2)**
3. To note the retirement of Mr Kee Poir Mok, who is retiring pursuant to Regulation 111 of the Constitution of the Company, who has decided not to seek for re-election. [see Explanatory Note 1]
4. To re-elect Mr Eugen Chua, being a Director of the Company retiring pursuant to Regulation 121 of the Constitution of the Company and Rule 720(5) of the Listing Rule of the Singapore Exchange Securities Trading Limited (“SGX-ST”)-ST, and being eligible, has offered himself for re-election. [see Explanatory Note 2] **(Resolution 3)**
5. To approve the payment of Directors’ fees of S\$60,000 for the financial year ending 31 December 2020, to be paid quarterly in arrears. [2019:S\$60,000] **(Resolution 4)**
6. To re-appoint Messrs RSM Chio Lim LLP as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**
7. To transact any other business that may be properly transacted at an AGM.

As Special Business

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

8. To appoint Mr Zahidi Bin Abd Rahman as a Director pursuant to Section 149B of the Companies Act, (Cap. 50) of Singapore. [see Explanatory Note 3] **(Resolution 6)**

9. AUTHORITY TO ALLOT AND ISSUE SHARES

“That pursuant to Section 161 of the Companies Act, (Cap. 50) of Singapore and the Rule 806 of the Listing Rule of 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

NOTICE OF ANNUAL GENERAL MEETING

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;
 - (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 Listing Rule of the SGX-ST; 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 Listing Rule of the SGX-ST 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, 12 June 2020

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (1) Mr Kee Poir Mok will not be seeking for re-election and will retire at the conclusion of the AGM. Upon the retirement of Mr Kee Poir Mok as the Independent Non-Executive Director of the Company, he will cease as the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee.
- (2) Ordinary Resolution 3 – Mr Eugen Chua will, upon re-election, remain as an Independent Non-Executive Director, the Chairman of Remuneration Committee and a member of the Nominating Committee of the Company. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. The detailed information on Mr Eugen Chua as recommended under the 2018 Code of Corporate Governance and as required under Rule 720(6) of the Listing Manual of the SGX-ST can be found under the sections “Board of Directors” and “Additional Information on New Director and Directors Seeking Re-election” in the Annual Report for the financial year ended 31 December 2019 (“**Annual Report FY2019**”).
- (3) Ordinary Resolution 6 – Mr Zahidi Bin Abd Rahman will be appointed as a Director pursuant to Section 149B of the Companies Act, (Cap. 50) of Singapore. He will be appointed as an Independent Non-Executive Director of the Company and the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee. He will be considered independent for the purposes of Rule 704 (8) of the Listing Manual of the SGX-ST. The detailed information on Mr Zahidi Bin Abd Rahman as recommended under the 2018 Code of Corporate Governance and as required under Rule 720(6) of the Listing Manual of the SGX-ST can be found under the section “Additional Information on New Director and Directors Seeking Re-election” in the Annual Report FY2019.
- (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.

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. The AGM is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice, proxy form, Restated Audited Financial Statements for the financial year ended 31 December 2017 and the Annual Report FY2019 (collectively, the “**Documents**”) will **NOT** be sent to members. Instead, these Documents will be sent to members by electronic means via publication on SGXNet and the Company’s Investor Relations (“IR”) website at the URL <https://oceanus.com.sg/our-investors/> and also be made available on SGXNet at the URL <https://www2.sgx.com/securities/company-announcements>.
2. Alternative arrangements relating to attendance at the AGM via electronic means (in particular, arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the accompanying Important Notice to Shareholders dated 12 June 2020 in relation to the Conduct and Proceedings of the Company’s AGM on Monday, 29 June 2020 at 11.00 a.m. (“**Important Notice to Shareholders**”). This Important Notice to Shareholders may be accessed at the Company’s IR website at the URL <https://oceanus.com.sg/our-investors/>, and will also be made available on SGXNet at the URL <https://www2.sgx.com/securities/company-announcements>.
3. Due to the current COVID-19 restriction orders in Singapore, a member will **NOT** be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. The accompanying proxy form for the AGM may be accessed at the Company’s IR website at the URL <https://oceanus.com.sg/our-investors/>, and will also be made available on SGXNet at the URL <https://www2.sgx.com/securities/company-announcements>.

Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstention from voting, in respect of a Resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as a proxy for that Resolution will be treated as invalid.

NOTICE OF ANNUAL GENERAL MEETING

Persons who hold shares through relevant intermediaries (as defined in Section 181 of the Companies Act, (Cap. 50) of Singapore) should contact their relevant intermediaries through which they hold such shares as soon as possible in order for the necessary arrangements to be made for their participation in the AGM. CPF or SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective Agent Banks or SRS Operators to submit their votes by 5.00 pm on 17 June 2020.

4. The Chairman of the AGM, as proxy, need not be a member of the Company.
5. The instrument appointing the Chairman of the AGM as proxy must be submitted to the Company in the following manner:
 - (i) if submitted by post, be deposited at the office of the Company's Share Registrar office at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623; or
 - (ii) if submitted via email, please send to the Company's email address at agm@oceanus.com.sg, in either case, not less than 72 hours before the time appointed for the AGM.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

6. The Annual Report FY2019 may be accessed at the Company's IR website at the URL <https://oceanus.com.sg/our-investors/>, and will also be made available on SGXNet at the URL <https://www2.sgx.com/securities/company-announcements> and/ or <https://www.sgx.com/securities/annual-reports-related-documents>.
7. Due to the current COVID situation, further measures and/or changes to the AGM arrangements may be made on short notice. Members are advised to check our corporate website at the URL <https://oceanus.com.sg/our-investors/> for the latest updates on the status of the AGM.
8. The Company would like to thank all Members for their understanding and cooperation to hold the AGM by way of electronic means.
9. **Personal data privacy:**

By pre-registering for the live audio-visual webcast or live audio-only stream, submitting a proxy form appointing the Chairman of the AGM as proxy to vote at the AGM and/or any adjournment thereof, and/or submitting questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes:

- (i) processing and administration by the Company (or its agents) of proxy forms appointing the Chairman of the Meeting as a proxy for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof);
- (ii) processing of the registration for purpose of granting access to members (or their corporate representatives in the case of members which are legal entities) to the live audio-visual webcast or live audio-only stream to observe the proceedings of the AGM and providing them with any technical assistance where necessary;
- (iii) addressing relevant and substantial questions from members received before the Meeting and if necessary, following up with the relevant members in relation to such questions;
- (iv) preparation and compilation of the attendance list, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and
- (v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines by the relevant authorities.

Photographic, sound and/or video recordings of the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the AGM. Accordingly, the personal data of a member of the Company (such as his/her name, his/her presence at the Meeting and any questions he/she may raise or motions he/she propose/second) may be recorded by the Company for such purpose.

PROXY FORM

IMPORTANT

- The Annual General Meeting of Oceanus Group Limited (“AGM”) is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of the AGM, proxy form, Restated Audited Financial Statements for the financial year ended 31 December 2017 and Annual Report for the financial year ended 31 December 2019 (“Annual Report FY2019”) (collectively, the “Documents”) will **NOT** be sent to members. Instead, these Documents will be sent to members by electronic means via publication on SGXNet and the Company’s Investor Relations (“IR”) website at the URL <https://oceanus.com.sg/our-investors/>, and also be made available on SGXNet at the URL <https://www2.sgx.com/securities/company-announcements>.
- Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the accompanying Important Notice to Shareholders dated 12 June 2020 in relation to the Conduct and Proceedings of the Company’s AGM on Monday, 29 June 2020 at 11.00 a.m. (“Important Notice to Shareholders”). This Important Notice to Shareholders may be accessed at the Company’s IR website at the <https://oceanus.com.sg/our-investors/>, and will also be made available on SGXNet at the URL <https://www2.sgx.com/securities/company-announcements>.
- Due to the current Covid-19 restriction orders in Singapore, a member will **NOT** be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the Annual General Meeting. The accompanying proxy form for the Annual General Meeting may be accessed at the Company’s IR website at the URL <https://oceanus.com.sg/our-investors/>, and will also be made available on SGXNet at the URL <https://www2.sgx.com/securities/company-announcements>.
- This Proxy Form is not valid for use by such CPF or SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF or SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 pm on 17 June 2020.
- By submitting this proxy form, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 12 June 2020.
- Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of the Chairman of the AGM as a member’s proxy to attend, speak and vote on his/her/its behalf at the AGM.**

*I/We _____ (Name) *NRIC/Passport/Co. Reg. No. _____ (Address)
of _____ (Address)

being a *member/members of **OCEANUS GROUP LIMITED** (the “Company”) hereby appoint the **Chairman of the Annual General Meeting (“AGM”)** as *my/our proxy to attend, speak and vote or abstain for *me/us on *my/our behalf at the AGM of the Company to be convened and held by way of electronic means on Monday, 29 June 2020 at 11.00 a.m. and at any adjournment thereof. *I/We direct *my/our proxy to vote for or against, or abstain from voting on the Ordinary Resolutions to be proposed at the Meeting as indicated hereunder.

If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the appointment of the Chairman of the Meeting as *my/our proxy will be treated as invalid.

No.	Ordinary Resolutions	For**	Against**	Abstain**
	Ordinary Business			
1.	Adoption of re-issued and restated Directors’ Statement and Audited Financial Statements for the financial year ended 31 December 2017 together with the Independent Auditor’s Report			
2.	Adoption of Directors’ Statement and Audited Financial Statements for the financial year ended 31 December 2019 together with the Independent Auditor’s Report			
3.	Re-election of Mr Eugen Chua as a Director			
4.	Approval of payment of Directors’ fees of S\$60,000 for the financial year ending 31 December 2020, to be paid quarterly in arrears.			
5.	Re-appointment of Messrs RSM Chio Lim LLP as Auditors			
	Special Business			
6.	Appointment of Mr Zahidi Bin Abd Rahman as a Director			
7.	Authority to issue new shares			

* Delete where inapplicable

** If you wish to exercise all your votes “For” or “Against”, please tick (✓) in the “For” or “Against” box. Alternatively, please indicate the number of votes “For” or “Against” as appropriate in each resolution. If you wish to “Abstain” from voting on a resolution, please tick (✓) in the “Abstain” box. Alternatively, please indicate the number of shares which you wish to abstain from voting.

Dated this _____ day of _____ 2020.

	Total number of Shares in:
(a) CDP Register	
(b) Register of	



Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

OCEANUS GROUP LIMITED

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

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. Due to the current COVID-19 restriction orders in Singapore, a member will **NOT** be able to attend the AGM in person. A member (whether individual or corporate) **MUST** appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. The accompanying proxy form for the AGM may be accessed at the Company's IR website at the URL <https://oceanus.com.sg/our-investors/>, and will also be made available on SGXNet at the URL <https://www2.sgx.com/securities/company-announcements>. Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstention from voting, in respect of a Resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as a proxy for that Resolution will be treated as invalid.

Persons who hold shares through relevant intermediaries (as defined in Section 181 of the Companies Act (Chapter 50) of Singapore) should contact their relevant intermediaries through which they hold such shares as soon as possible in order for the necessary arrangements to be made for their participation in the AGM. CPF or SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective Agent Banks or SRS Operators to submit their votes by 5.00 pm on 17 June 2020.

3. The Chairman of the AGM, as proxy, need not be a member of the Company.
4. The instrument appointing the Chairman of the AGM as proxy must be submitted to the Company in the following manner:
 - (i) if submitted by post, be deposited at the office of the Company's Share Registrar office at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623; or
 - (ii) if submitted via email, please send to the Company's email address agm@oceanus.com.sg, in either case, not less than 72 hours before the time appointed for the AGM.




A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

5. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where an instrument appointing the Chairman of the AGM as proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney 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.
6. 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 AGM, in accordance with Section 179 of the Companies Act (Chapter 50) of Singapore.
7. 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 name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Oceanus Group Limited

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

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