

Issuer: Oceanus Group Limited

Security: Oceanus Group Limited

Meeting details:

Date: 18 May 2017

Time: 14:00H

Venue: The Grassroots Club, Auditorium (Level 2), 190 Ang Mo Kio Ave 8, Singapore 568046

Company Description

Oceanus Group Limited, an investment holding company, engages in the research, development, breeding, production, and sale of abalones. It is also involved in the aquaculture production. The company was incorporated in 1998 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=579)

Q1. As disclosed in the Independent Auditor's Report (page 42 of the annual report), the auditors were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. The basis for disclaimer of opinion included:

- i. Going concern
- ii. Biological assets
- iii. Recoverable amount of property, plant and equipment and prepaid leases and impairment losses
- iv. Trade and other payables and supporting documents
- v. Convertible loans
- vi. Loans

For each of the basis for disclaimer of opinion listed above, **can the board help shareholders understand**

- (a) what they have done to facilitate the Independent Auditors during the audit,**
- (b) the deliberations by the board on the disclaimers of opinion, and**
- (c) the steps taken by the board and the management to improve the internal accounting controls.**

Q2. In the CEO's Statement (page 5), the CEO has stated that the company was "placed on the SGX-ST watchlist in December 2015". This was due to the Financial Entry criteria as the company had recorded pre-tax losses for three consecutive financial years and that the average daily market capitalisation has dropped below S\$40 million.

In the Independent Auditor's Report (page 45) and in Note 34 (page 112 - Subsequent events), the following was disclosed:

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

- a) Can the company and the independent auditor confirm that the company was placed on the Watch-List due to the financial entry criteria on 14 December 2015 (and not 3 March 2016)?**
- b) The company was subsequently placed on the watch-list due to the Minimum Trading Price ("MTP") with effect from 3 March 2016. Can the company update shareholders on the plans to meet the requirements of Listing Rule 1314(2) of the Listing Manual within 36 months from 3 March 2016?**
- c) The company proposed a debt restructuring on 25 January 2017. What is the progress? Can the company quantify how the proposed debt restructuring will help the group to improve its profitability? How much dilution will the existing shareholders experience as a result of the proposed debt restructuring?**

Q3. In the Corporate Governance Report (page 19), it was disclosed that "Dr Ng Cher Yew resigned as the Non-Executive Chairman of the Company with effect from 15 February 2017".

- (a) It would be almost three months since the former Chairman stepped down from the board. Has the board deliberated on the appointment of a new Chairman of the company? What are the reasons for the delay?**

Rule 704 of the SGX Listing Manual states that an issuer must immediately announce:

704(7)(a) Any appointment or cessation of service of key persons such as director, chief executive officer, chief financial officer, chief operating officer, general manager, qualified person or other executive officer of equivalent authority, company secretary, registrar or auditors of the issuer.

(b) Given that Dr Ng resigned as the Non-executive Chairman with effect from 15 February 2017, what were the reasons that the company only announced the cessation on 28 Feb 2017?

In Principle 3: Chairman and Chief Executive Officer (page 21), the responsibilities of the Chairman were shown, including:

- 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;

(c) In the absence of a Chairman of the board, can shareholders understand how effective has the board been in “leading and controlling the company”?

(d) What are the board’s plans to nominate/select the Chairman?

In addition, under Principle 1: The Board’s Conduct of its Affairs (page 18), the company has disclosed that:

“The Board will meet on a quarterly basis and ad-hoc Board meetings will be convened when they are deemed necessary”.

(e) Can shareholders understand why the board met just 3 times during the financial year ended 31 December 2015 (instead of 4 quarterly meetings as disclosed in the company’s Corporate Governance Report)? What are the reasons for the board to deviate from its own policies/disclosures made in the Corporate Governance Report? The number of meeting held as disclosed by the company is shown in the table below.

Corporate Governance Report

The number of meetings held and the attendance at meetings of the Board and committees of the Board by the previous and present Directors of the Company during the financial year end 31 December 2015 are, as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings held	3	2	1	1
	Number of meetings attended			
Ng Cher Yew ⁽¹⁾	3	N.A.	1	N.A.
Peter Koh Heng Kang	2	N.A.	N.A.	N.A.
Stephen Lee	3	2	-	1
Kee Poir Mok	2	1	1	1
Yeo Kan Yen, Alvin	3	2	1	1
Wong Ann Chai ⁽²⁾	2	N.A.	-	-
Jason Aleksander Kardachi ⁽²⁾	1	N.A.	-	-

(Source: Oceanus Group Limited Annual Report 2015)

- (f) Shareholders would like to get the board/remuneration committee's confirmation that the following disclosure on the remuneration of key management personnel in the 2015 Annual Report is updated and factual.

Corporate Governance Report

The top two executives (who were not Directors) of the Group during the financial year ended 31 December 2015 fell within the remuneration band of below S\$250,000:

- | | |
|----------------|--|
| - Wong Yew Ban | - Chief Financial Officer cum Chief Operating Officer
(removed on 2 March 2015) |
| - Matthew Tan | - Chief Risk Officer |

The aggregate remuneration paid to the above two key management personnel (who are not Directors or the CEO) for the financial year ended 31 December 2015 is S\$445,863.

There is no other key executives except for the two disclosed above.

The remuneration of the Directors and the CEO is not disclosed to the nearest thousand dollar in this report as the Company and Management have concerns that disclosing the detailed breakdown of the remuneration of the directors and the CEO 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.

(Source: Oceanus Group Limited Annual Report 2015)