



OCEANUS GROUP LIMITED

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

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

Tel: +65 6285 0500 Fax: +65 6280 0822

RESPONSES TO SIAS' QUESTIONS ON OCEANUS GROUP LIMITED'S ANNUAL REPORT FY2015

1. 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;**
- (c) the steps taken by the board and the management to improve the internal accounting controls.**

Oceanus' Response:

- We would like to reiterate that the Auditor's Report is based on historical financial statements for the financial year ended December 31, 2015 (**"FY2015"**);
- Management has, where possible, actively assisted the Independent Auditors in the audit process for the FY2015 Independent Auditor's Report (**"Independent Auditor's Report"**);
- In this regard, the Board observes that the disclaimers of opinion in the Independent Auditor's Report were made primarily on the basis of the Group's previous financial position for FY2015 and does not fully take into account the Group's more recent progress in restructuring its financial position and business operations since then;
- Under the leadership of new management, the Group has been actively seeking a long-term resolution to both its financial position and business operations. Oceanus has made great progress in its turnaround since FY2015, with the most significant being a binding term sheet with key warrant holders and creditors (*please refer to the General Announcement and News Release announced on SGXNet on January 25, 2017*) that will see conversion of 76.4% of the Group's outstanding debt into new shares, facilitating a clean-up of its balance sheet through a comprehensive reduction of the Company's current debt obligations (the **"Proposed Restructuring"**). Hence, many of the disclaimers of opinion listed in the Independent Auditor's Report are not necessarily reflective of the Group's position today;
- Oceanus remains committed to upholding best audit and corporate governance practices that strive to provide a balanced and informed assessment of the Company's performance, position and prospects as well as maintaining and improving its level of corporate transparency of financial results and other pertinent information. (*For more details, please refer to pages 27-32 of the FY2015 annual report*).

2. 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 March 2, 2016, the company announced that the Singapore Exchange Securities Trading Limited (the "SGX-ST") has notified the company that pursuant to Rule 1311(1), it will be placed on the Watch-List with effect from March 3, 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 March 3, 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 December 14, 2015 (and not March 3, 2016)?

Oceanus' Response:

- The Group was placed on the SGX Watch-List on December 14, 2015 based on the Financial Entry Criteria¹, and the Watch-List on March 3, 2016 based on the MTP Entry Criteria².

¹ Rule 1311(1) to the Listing Manual of the Mainboard of the SGX-ST

² Rule 1311(2) to the Listing Manual of the Mainboard of the SGX-ST

- (b) The company was subsequently placed on the watch-list due to the Minimum Trading Price (“MTP”) with effect from March 3, 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 March 3, 2016?

Oceanus’ Response:

- The Group has achieved market capitalisation of S\$41 million as at May 17, 2017, putting us in good stead to achieve one of the MTP exit criteria to attain an average daily market capitalisation of S\$40 million or more over the last 6 months³;
- The Group has also been providing quarterly updates on its efforts and progress made in meeting the exit-criteria of the Watch List. Finally, the Proposed Restructuring is intended to be a long-term resolution to the Group’s financial position and Oceanus will continue to engage SGX regularly to work towards an eventual exit from the Watch List based on both the Financial Exit and MTP Exit Criteria.

³http://rulebook.sgx.com/net_file_store/new_rulebooks/s/g/SGX_Mainboard_Chapter_13_March_1_2_016.pdf

- (c) **The company proposed a debt restructuring on January 25, 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?**

Oceanus' Response:

- All relevant parties had on January 24, 2017 signed a binding term sheet for Proposed Restructuring, the Group is currently negotiating with the relevant parties on the definitive agreements of the Proposed Restructuring. After which, the Company plans to draw up the Shareholders Circular relating to an extraordinary general meeting to be convened to seek shareholders' approval for the Proposed Restructuring;
- The Proposed Restructuring is a better alternative than liquidation. The loans from the key creditors are secured against most assets of the Company and without this debt restructuring exercise, the key creditors would enforce on the security. Enforcement of the security would result in negative shareholder value to the shareholders of Oceanus;
- Should the Proposed Restructuring be approved by shareholders, the potential dilutive effect could be 79% - 84%. However, as elaborated in the announcement released on SGXNet on January 25, 2017, the rationale of the Proposed Restructuring is to reduce debt burden of the Company, eliminating the need for any cash repayment or payment in view of the current financial and cash position of the Company, provide for some level of stability and alleviate cash flow pressures;

- Following the conversion of 76.4% of the Group's outstanding debt to equity, Oceanus will have approximately S\$20 million of remaining debt. Unless reduced pursuant to the restructuring transactions contemplated in the term sheet, it is intended that subject to agreement with Oceanus' creditors, this S\$20 million of outstanding debt will be paid through net proceeds obtained from the sale of 13 land farms in the PRC, Gulei County to the PRC authorities if and when received (please *refer to general announcement released on SGXNet on March 6, 2017*), putting Oceanus on track to becoming a debt-free, asset positive company and an eventual exit from the Watch List thereafter.

3. 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 February 15, 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?

Oceanus' Response:

- The Board has deliberated and are of the view that the Group should delay the appointment of a new Chairman as Oceanus is in the midst of executing its turnaround initiatives and should conserve capital and resources for growth-accretive business initiatives to enhance shareholder value.

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 February 15, 2017, what were the reasons that the company only announced the cessation on February 28, 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.**

Oceanus' Response:

- Dr Ng's letter of resignation was dated February 15, 2017. The Board noted Dr Ng's resignation and requested that he reconsidered his resignation. Dr Ng's decision remained the same after reconsideration and the Board accepted his resignation on February 28, 2017.

- (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”?**

Oceanus’ Response:

- Oceanus’ immediate priority is a turnaround of its financial position and business operations, which has been set in motion under the leadership of the current management led by Chief Executive Officer, Mr Peter Koh, since his appointment in December 2014;
- The management is supported by the Board, which adheres to a high standard of corporate governance benchmarked by the Code of Corporate Governance, and is committed to offering high standards of accountability to shareholders.

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

Oceanus’ Response:

- As discussed in 3(a), the Board has deliberated and is of the view that the Group should delay the appointment of a new Chairman as Oceanus is in the midst of executing its turnaround initiatives and should conserve capital and resources for growth-accretive business initiatives to enhance shareholder value.

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 meetings 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)

Oceanus' Response:

- Although only three official Board meetings were recorded, the Directors have convened informal Board meetings frequently in view of the magnitude and speed of the developments to the Proposed Restructuring. These meetings were not recorded as official Board meetings to save on relevant administrative costs;
- Further, we urge shareholders to consider the quality and effectiveness of these meetings, as reflected in the turnaround results that the Group has achieved so far as well as the significant progress that the Company has since made in developing a comprehensive plan for the Proposed Restructuring.

- (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)	

Oceanus' Response:

- The Board and Remuneration Committee would like to clarify that the aggregate remuneration paid to the two key management personnel should be S\$165,909.09 and not S\$445,863.

May 26, 2017