Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Oceanus Group Limited

Stock code: 579

Meeting details:
Date: 29 April 2021
Time: 11.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As noted in the message from the CEO, the group has successfully gone through the Clean Up Phase and is now concluding the Build Up Phase. The achievements in the past 5 years can be seen on page 34 (Financial & operational highlights).

The next Tech Up Phase will see the group focus on developing deep tech solutions aimed towards the development of a sustainable food production and distribution framework.

In FY2020, revenue increased by 858% to $92.1 million, the highest turnover since the group's listing in 2008. The group now spans the following services:



(Source: company annual report)

In the distribution segment, the group now has over 2,000 different FMCG products with distribution in 16 countries (page 31), focusing on frozen meat and fresh seafood goods.

(i) **Can the company let shareholders know where they can find the group's products in Singapore and/or online?**

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The FMCG distribution business is carried out by the new 50.1%-owned subsidiary, Season Global Trading Pte Ltd.

(ii) **Can management help shareholders understand this new and major operating subsidiary that boosted the group's performance in FY2020? Please disclose the management team, its staff strength, the business model, value proposition and the main products.**

(iii) **Can management confirm that the main market is Hong Kong? If so, what is management's experience and track record of trading in Hong Kong?**

(iv) **What is the contribution by its 49.9% partner (Season Hong), other than capital?**

(v) In the independent auditor's report, the "assessment of ability to exercise control over the subsidiary (Season Global Trading Pte. Ltd (SGT) was identified as a key audit matter. **Who are the board members of SGT? How did the audit committee determine that the group has the ability to exercise control over the subsidiary?**

Q2. As can be seen from the consolidated statement of cash flows, profit before tax from continuing operations amounted to $9.09 million in FY2020. The group net cash flow used in operating activities was $(20.5) million (page 98). The main changes in the group's working capital were:

- Inventories: $(15.0) million
- Trade and other receivables: $(15.1) million
- Trade and other payables $4.3 million

For FY2020, net cash flows used in operations was $(20.5) million, up from $(2.2) million in FY2019. Cash and cash equivalents at the end of the year amounted to $11.5 million (page 99). The group's net debt-to-adjusted capital ratio was 35% (page 159).

(i) In Note 20 (page 154 – Inventories), it can be seen that inventories comprised mainly of $14.6 million of "Goods in transit". The group held just $42,000 in inventories (at cost) but has $14.6 million of "Goods in transit". As seen from the consolidated statement of profit or loss, cost of inventories for FY2020 was $82.738 million. **Can management help shareholders better understand the business model/logistical aspect of its trading business? In its accounting policy, when are goods considered as "inventory" and when is revenue recognised?**

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(ii) Net trade receivables as at 31 December 2020 amounted to $16.2 million (Note 21 – Trade and other receivables; page 155). On page 157, it was disclosed that the top #1 customer had receivables of $8.155 million while the next largest customer accounted for $6.786 million as at 31 December 2020. The third largest customer had receivables of just $167,000. **Can the company disclose the identities/profiles of its top 2 customers? Has the board evaluated the customer concentration risks of the group? What is the level of oversight by the board on the group's compliance to its credit risk policies? Are the receivables current?**

(iii) **Investment in debt assets instruments at FVTPL:** The group invested $5 million in a Principal Protected Note with a principal amount of $5 million (page 150). **Is this investment in line with the group's long-term growth objectives? Did the board approve the investment? How was the note selected?**

(iv) **Investment in quoted fund at FVTPL:** Similarly, the group has $2 million in a quoted fund (page 151). **Is this investment in line with the group's long-term growth objectives? Are these investments made with using what the group considers as excess capital that cannot be deployed in the core business?**

Q3. The company has stated that the audit committee (AC) is assisted by various independent professional service providers and the company's Compliance Department.

(i) **Can the AC elaborate further on the identities of the independent professional service providers and describe in detail the scope of their engagements?**

(ii) **Can the AC clarify if it has delegated the responsibility to review the internal audit to the company's Compliance Department?**

(iii) **Can the AC clarify if the Compliance Department complies with the standards set by nationally or internationally recognised professional bodies, such as the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors?**

(iv) **For FY2020, what was the scope of the group's internal audit workplan? Were all the major operating subsidiaries, including foreign subsidiaries, covered in the internal audit?**

(v) **What were the key findings of the internal audit?**

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[Additional comment] Q3. On 13 April 2021, the company announced that it had submitted its application to SGX-ST to exit the watch-list. The company was first put on the watch-list on 14 December 2015. The company was granted its fourth extension of a further 19 months until 1 March 2021 to meet the requirements to exit the Watch-List as set out in Listing Rule 1314.

(i) **When does the company expect a reply from SGX-ST?**

(ii) **Is there a sufficient track record by Season to demonstrate that the group is profitable given that there are still significant receivables outstanding?**

(iii) **Has the group's business been affected as a result of the company being watch-listed?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)