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Issuer: Oceanus Group Limited

Stock code: 579

Meeting details:

Date: 26 Apr 2024

Time: 5.00 p.m.

Venue: Suntec Singapore Convention & Exhibition Centre, Meeting Room 328-329, Level 3,
1 Raffles Boulevard, Suntec City, Singapore 039593

Q1. In the message to shareholders, the CEO emphasized the company's ambition to be the Asian leader in food security. The group's mission is to create a more efficient and resilient global food marketplace to facilitate seamless food flow.

The group has made strategic investments to create Oceanus Digital Network, or ODIN, a digital platform for payments and financing of food trade. Management holds significant ambitions for ODIN, positioning it as a 'global blockchain-enabled digital exchange.' ODIN operates through ODIN Pay, ODIN Finance, ODIN Market and ODIN Warehouse Management Service.

Additional information on ODIN can be found on pages 36 to 43 of the annual report.

- (i) **Which global leaders in food security does the group aspire to emulate or model its growth after?**
- (ii) **How much has been invested in ODIN and what were the losses in 2023?**
- (iii) **What investment hurdle rate was used by the board to approve the group's investments into the digital platform?**
- (iv) **How much total investment has the board approved for ODIN, and when does it expect ODIN to achieve breakeven?**
- (v) **How is revenue related to ODIN recognised in the group's financial statements? Specifically, under which of the four operating segments (Live marine products, Trading, Consultancy or Others) will the revenue be recognised?**
- (vi) **What specific performance targets has management set for each of the four services within the ODIN ecosystem?**
- (vii) **How many users/customers have been successfully onboarded and how many are considered active users?**

Q2. Would the board/management provide shareholders greater clarity on the following matters? Specifically:

- (i) **China - Could management provide insight into the factors enabling the significant revenue growth in China (from \$63.0 million to \$134.4 million), especially amidst reports of economic slowdown and weakened consumption trends? What specific operational achievements contributed to this increase?**
- (ii) **Similarly, what strategies were employed to drive revenue growth in Singapore?**
- (iii) **With the top two customers accounting for \$104.1 million in revenue, has the board evaluated the group's customer concentration risk?**
- (iv) **Likewise, with China and Hong Kong contributing over \$245 million in revenue, does the board view a China-centric strategy as advantageous or does it pose potential risks? And what is the group doing to manage this risk?**
- (v) **Is there concern that the management's focus on establishing the digital ecosystem might divert attention and resources from the core trading business?**
- (vi) **The group achieved a 40% increase in overall product offerings in 2023. What measures does the group undertake to ensure robust food safety standards, considering its emphasis on food security?**

Q3. Reading the annual report, the financial highlights and the 4-page CEO message provided comprehensive insights into the group's operational and financial achievements. However, detailed information on the group's profit and loss (P&L) was absent until the 'Consolidated statement of profit or loss' on page 88 of the report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2023

	Notes	Group	
		2023 \$'000	2022 \$'000
Revenue	5	344,277	234,501
Other operating income	6	4,967	1,525
Cost of inventories		(318,798)	(216,129)
Employee benefits expense	7	(9,316)	(6,011)
Depreciation and amortisation expense		(5,048)	(3,979)
Other operating expenses	6	(11,975)	(16,572)
Finance costs	8	(5,214)	(4,144)
Share of loss from equity-accounted associate	16	—	(5)
Loss before tax		(1,107)	(10,814)
Income tax expense	10	(1,137)	(917)
Loss for the year		(2,244)	(11,731)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		4,055	7,917
Other comprehensive income for the year, net of tax		4,055	7,917
Total comprehensive income / (loss) for the year, net of tax		1,811	(3,814)
Loss attributable to owners of the parent, net of tax		(1,879)	(13,160)
(Loss) / income attributable to non-controlling interests, net of tax		(365)	1,429
Loss net of tax		(2,244)	(11,731)

(Source: company annual report; emphasis added)

- (i) **What are management's top priorities for FY2024 aimed at returning the group to profitability?**

In addition, as shown in the Consolidated statement of cash flows, the group experienced negative cash flow from operations of \$32.95 million in FY2022 and \$9.28 million in FY2023. Also, net debt has increased from \$58.9 million to \$74.3 million as at 31 December 2023. The debt-to-adjusted capital ratio stood at 121% at the end of the reporting period (2022: 100%).

23. Share capital (cont'd)

Capital management: (cont'd)

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.

	<u>Group</u>	
	<u>2023</u>	<u>2022</u>
	\$'000	\$'000
Net debt:		
All current and non-current borrowings including leases	93,281	69,014
Less cash and cash equivalents	(19,007)	(10,098)
Net debt	<u>74,274</u>	<u>58,916</u>
Adjusted capital:		
Total equity	<u>61,371</u>	<u>58,680</u>
Debt-to-adjusted capital ratio	<u>121%</u>	<u>100%</u>

The unfavourable change as shown by the increase in the debt-to-adjusted capital ratio for the reporting year resulted primarily from the increase in new debts.

(Source: company annual report; emphasis added)

- (ii) **What guidance has the board given to management regarding cash flow management, working capital optimisation and leverage?**

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

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