



**OCEANUS GROUP LIMITED**

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

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**LETTER TO SHAREHOLDERS**

**Dear Shareholders**

**OCEANUS PROGRESSES WITH TURNAROUND PLANS AS COMPANY  
POSITIONS FOR RETAILING AND FURTHER OPERATIONAL IMPROVEMENTS**

Happy New Year! As the year begins, we are pleased to update our shareholders that Oceanus continues to work towards the Group's vision of being a global premium seafood supply chain manager.

**ENHANCED BUSINESS MODEL**

**Upstream Land and Sea-based Farming**

In line with this strategic focus, we have enhanced our business model in the past year. Our preparations towards a 'hybrid' model is well underway, as we focus on both our core 'land-based' farming methods, whilst working closely with 'sea-based' farmers. By supplying these sea farmers with abalone juveniles or spawns, we will be able to mitigate our risks and obtain full-grown abalones from them at prices that are 30 to 40 per cent lower than what land farming offers, putting us in a good position to substantially reduce our risk and cost of operations. We anticipate a smooth progress in this joint co-operation aimed at achieving a 'win-win' strategy for both parties.

We are also pleased to have made good headway with our freed up 'land-based' farm space, in line with our concerted efforts to generate new revenue streams for the Group, and at the same time broaden our product mix of premium seafood. We have begun our initial stage of sea cucumber farming and are looking at converting freed up 'land-based' farm to shrimp farming in our Fotan farm, Fujian. In addition, by focusing on breeding abalone juveniles for sale and at the same time, renting out our un-utilised farming assets, we have succeeded in keeping operation costs low.

We will continue to pursue our strategy of seeking technology partners and possible M&As to diversify our upstream farming activities.

### **Moving Downstream to Retailing of Abalones**

Moving downstream, our marketing efforts in the past year have been focused on the fast-moving consumer goods or FMCG segment, particularly in the area of canned abalone. We are pleased to have received a grant from SPRING Singapore to kick-start this marketing and branding process. In addition, we have received a warm response from shareholders to our food tasting session at our EGM in May last year. Likewise, an independent surveyor report or 'blind test' that was separately conducted has also drawn positive feedback. We are encouraged by the warm reception to both types of our premium canned abalone – pre-cooked braised sauce and clear soup options – which will be targeted at busy professionals and families. Our halal-certified canned abalones are processed in Australia, with no added MSG and preservatives.

We look forward to the support of all shareholders when it is launched in the market this year, likely through e-marketing via our corporate website. Looking further ahead, we will move towards the marketing of other premium seafood and frozen seafood products, in line with our vision of being a global premium seafood supply chain manager.

## **OEM Progressing Well**

In OEM, since the signing of our distributorship agreement with BNY Trading Pty Ltd (“BNY”) on 19 May 2015 for the distribution of canned and dried abalones, we have secured our first sales order amounting to S\$390,000 in Q42015. This is also the first time that our Singapore office has secured a sales contract, given that it was traditionally a cost centre. This is a good start, with more possibilities in the pipeline as Oceanus has the exclusive right to sell, distribute and manage BNY’s products and customers in all countries outside Australia.

It is also intended that BNY will be the exclusive distributor of our canned and dried abalones, which shall be sold under our “Oceanus” brand, within Australia. We are pleased to work with a trusted and reputable partner like BNY, which is registered with the highest Grade A Processor Establishment, in Queensland, Australia. As a seafood processor and producer of canned and dried abalones, it markets products under its own brands as well as other brands from its OEM customers. We will progressively form strategic alliances with processing and packaging plants to ensure consistent product quality.

## **STRONG EMPHASIS ON ADVANCED, CUTTING-EDGE PRODUCTION AND FARMING TECHNOLOGIES**

We take on a Science and Evidence based approach to farming and believe that we are the only land-based abalone farm in the world to employ cutting edge technologies under carefully controlled environments. This is aimed at increasing production efficiency, breeding success rate and encouraging the growth, survival and propagation of premium seafood such as fish, prawn and sea cucumber.

Unlike traditional farmers, we have put in place the necessary technological infrastructure to monitor vital breeding parameters such as the pH level, oxygen saturation and salinity that will determine the survival of our spawns, and alert us of anomalies that may be a sign of external threats such as algae blooms or red tides for us to take the necessary precaution in good time. Apart from these statistics, we also closely monitor our spawns through microscoping the eggs to ensure that they are fully fertilised while avoiding polyspermy that may be a threat to its survival and growth.

Additionally we have developed our own in-house “Farm Safety and Risk Management Plans for Oceanus Farms” and “Abalone Breeding” manuals which, together, seek to mitigate all identified risks associated with land-based aquaculture farm and aim to achieve an increase in the survival and growth of larvae and juveniles. At the same time, with a view towards ISO standardisation across all our farms in China, we are also in the midst of putting together comprehensive manuals and protocols on farm hatchery and other related farming processes. We are also working closely with leading institutions and universities such as Nanyang Technological University, Temasek Polytechnic and Republic Polytechnic in Singapore and Jimei University in China. This is in the area of collaboration with experts and the brightest young minds to research and develop new aquaculture technology, use of sustainable practices and innovative methods to increase productivity.

We will continuously refine and improve our operational protocols for production as well as institute new programmes such as recirculation technology, bio-security measures prevention of disease outbreak, approximate analysis feed nutrition enhancement and genetic selection to maintain our leadership edge.

## **RESTRUCTURING FOR OPERATIONAL TURNAROUND**

### **Lean Business Structure**

Cost-wise, with the tough measures implemented in the last 12 months, we have seen a significant reduction in overheads and expenses by approximately 60%. More recently, we have moved to our new premises at 31 Harrison Road, Food Empire Building, thereby reducing rental charges by approximately another two-third each month.

The road has not been easy. We've faced numerous financial challenges in implementing operational strategies due to delayed funding as a result of a protracted restructuring exercise.

We remain undeterred. With a leaner structure and a new senior management team in full and direct control of the Group's overall operations and production in China, we are now in an even stronger position than before to pursue our strategies to grow the business. At the same time, where considered critical to our success, we will continue to strengthen our core senior team, notwithstanding that we are keeping a tight lid on costs, as part of ongoing management rejuvenation.

Together with my team, we have made big strides in 2015 where concerted efforts have been made to lay a strong foundation in the past year. For 2016 and beyond, our strategic focus will be to grow our revenue. We have enhanced our business model to cut cost and improve efficiency and will be entering the consumer market to establish another stream of revenue whilst continuing our efforts in research and development to ensure consistent quality. We are embarking on a journey together with many trusted partners for the expansion of our business, for our reputation to be rebuilt, to augment our role in controlling the supply chain and achieving cost

leadership. We are committed to excellence and enhancing shareholder value through sound policies and high standards of corporate governance.

On behalf of the Board, I wish to thank all loyal shareholders for your unwavering support through the years and we seek your continued support of Oceanus as we rebuild our company towards growth.

BY ORDER OF THE BOARD  
**OCEANUS GROUP LIMITED**

Peter Koh Heng Kang  
Executive Director and Chief Executive Officer

25 January 2016