



Oceanus Group Limited

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

UNAUDITED SECOND QUARTER FINANCIAL STATEMENTS AND ANNOUNCEMENT FOR THE 6 MONTHS ENDED 30 JUNE 2014 OF OCEANUS GROUP LIMITED (“OCEANUS”) AND ITS SUBSIDIARIES (COLLECTIVELY KNOWN AS THE “OCEANUS GROUP”)

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

| | 3 months ended | | Favourable /(Adverse) % | 6 months ended | | Favourable /(Adverse) % |
|---|-----------------------|-----------------------------------|-------------------------------|-----------------------|-----------------------------------|-------------------------------|
| | 2014-06-30 RMB'000 | 2013-06-30 RMB'000 Restated | | 2014-06-30 RMB'000 | 2013-06-30 RMB'000 Restated | |
| Sales of aquaculture products | | | | | | |
| Sales of live marine products | 829 | 7,083 | (88) | 948 | 14,310 | (93) |
| Continuing operations | | | | | | |
| (Loss)/Gain arising from changes in fair value less cost to sell of biological assets | (14,936) | (12,543) | (19) | (2,430) | 2,230 | NM |
| Other operating income | 139 | 4,089 | (97) | 294 | 5,042 | (94) |
| Feed used | (4,375) | (10,682) | 59 | (8,783) | (21,509) | 59 |
| Electricity, fuel and water | (2,459) | (7,450) | 67 | (5,931) | (14,748) | 60 |
| Staff costs | (4,645) | (10,098) | 54 | (9,263) | (20,145) | 54 |
| Foreign currency gain/(loss) | 3,097 | (6,653) | NM | 14,495 | 495 | >100 |
| Other operating expenses | (6,189) | (3,278) | (89) | (9,811) | (10,020) | 2 |
| Depreciation | (16,160) | (19,521) | 17 | (32,194) | (39,109) | 18 |
| Finance costs | (26,378) | (16,408) | (61) | (37,350) | (31,140) | (20) |
| Loss before income tax | (71,906) | (82,544) | 13 | (90,973) | (128,904) | 29 |
| Income tax | - | - | NM | (48) | - | (100) |
| Loss for the year from continuing operations | (71,906) | (82,544) | 13 | (91,021) | (128,904) | 29 |
| Discontinued operations | | | | | | |
| Profit for the year from discontinued operations | 19,835 | 5,907 | >100 | 21,812 | 7,018 | >100 |
| Loss for the year | (52,071) | (76,637) | 32 | (69,209) | (121,886) | 43 |
| EBITDA* | (9,533) | (40,708) | 77 | 383 | (51,637) | NM |
| Attributable to: | | | | | | |
| Equity holders of the Company | (52,071) | (76,637) | 32 | (69,209) | (121,886) | 43 |

*EBITDA - Profit Before Interest, Tax, Depreciation and Amortisation.

Loss for the period is arrived at after charging / (crediting) the following items:

| | 3 months ended | | Favourable | 6 months ended | | Favourable |
|---|----------------|-----------------|------------|----------------|-----------------|------------|
| | 2014-06-30 | 2013-06-30 | /(Adverse) | 2014-06-30 | 2013-06-30 | /(Adverse) |
| | RMB'000 | RMB'000 | % | RMB'000 | RMB'000 | % |
| <u>Continuing operations</u> | | Restated | | | Restated | |
| Interest income | (1) | (2) | (50) | (1) | (3) | (67) |
| Interest expense | | | | | | |
| (i) Coupon rate 5% | 4,389 | 3,996 | (10) | 8,625 | 7,939 | (9) |
| (ii) Notional interest | 20,911 | 10,536 | (98) | 27,502 | 21,303 | (29) |
| (iii) loan interest | 147 | 1,021 | 86 | 292 | 1,043 | 72 |
| (iv) Withholding tax | 931 | 855 | (9) | 931 | 855 | (9) |
| Depreciation of property, plant and equipment | 16,160 | 19,521 | 17 | 32,194 | 39,109 | 18 |
| Amortisation of prepaid leases | 168 | 98 | (71) | 327 | 323 | (1) |
| Operating lease expenses | 434 | 488 | 11 | 863 | 1,001 | 14 |
| Reversal of impairment on property, plant and equipment | - | - | NM | - | (1,246) | (100) |
| Foreign exchange (gain)/loss | (3,097) | 6,653 | NM | (14,495) | (495) | >100 |
| <u>Discontinued operations</u> | | | | | | |
| Gain on disposal of plant and equipment | (19,992) | (897) | >100 | (19,992) | (897) | >100 |
| (Gain)/loss on disposal of prepaid lease | - | 897 | (100) | (4,208) | 897 | NM |
| Reversal of allowance for doubtful debts | - | (4,413) | (100) | - | (4,413) | (100) |
| Foreign exchange (gain)/loss | 449 | (2,813) | NM | 2,654 | (4,369) | NM |

N/M: Not meaningful

(b) A Statement of Comprehensive Income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

| | <u>3 months ended</u> | | <u>6 months ended</u> | |
|---|-----------------------|-------------------|-----------------------|-------------------|
| | <u>2014-06-30</u> | <u>2013-06-30</u> | <u>2014-06-30</u> | <u>2013-06-30</u> |
| | <u>RMB'000</u> | <u>RMB'000</u> | <u>RMB'000</u> | <u>RMB'000</u> |
| | | <u>Restated</u> | | <u>Restated</u> |
| Loss for the period | (52,071) | (76,637) | (69,209) | (121,886) |
| Other comprehensive income | | | | |
| Exchange differences on translation of foreign operations | (6,106) | 18,573 | (22,504) | 15,187 |
| Total comprehensive income for the period | <u>(58,177)</u> | <u>(58,064)</u> | <u>(91,713)</u> | <u>(106,699)</u> |
| Attributable to: | | | | |
| Equity holders of the Company | <u>(58,177)</u> | <u>(58,064)</u> | <u>(91,713)</u> | <u>(106,699)</u> |

1 (c)(i) A balance sheet (for the Issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

| | Group | | Company | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2014-06-30 RMB'000 | 2013-12-31 RMB'000 | 2014-06-30 RMB'000 | 2013-12-31 RMB'000 |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and bank balances | 2,227 | 5,531 | 774 | 3,119 |
| Trade receivables | - | 5 | - | - |
| Other receivables | 16,149 | 17,041 | 2,273 | - |
| Biological assets | 16,527 | 19,906 | - | - |
| | <u>34,903</u> | <u>42,483</u> | <u>3,047</u> | <u>3,119</u> |
| Non-current assets | | | | |
| Property, plant and equipment | 478,466 | 510,557 | - | - |
| Prepaid leases | 14,178 | 14,498 | - | - |
| Investment in subsidiaries | - | - | 795,000 | 795,000 |
| | <u>492,644</u> | <u>525,055</u> | <u>795,000</u> | <u>795,000</u> |
| Total assets | <u>527,547</u> | <u>567,538</u> | <u>798,047</u> | <u>798,119</u> |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities | | | | |
| Trade payables | 22,528 | 16,347 | - | - |
| Other payables | 79,412 | 73,930 | 42,701 | 32,025 |
| Loans and borrowings | 14,237 | 12,016 | 13,237 | 11,016 |
| Current tax payable | 23,948 | 23,948 | - | - |
| | <u>140,125</u> | <u>126,241</u> | <u>55,938</u> | <u>43,041</u> |
| Non-current liabilities | | | | |
| Convertible loan | 289,666 | 254,746 | 289,666 | 254,746 |
| Derivative liabilities | 125,864 | 123,082 | 125,864 | 123,082 |
| Deferred tax liabilities | 6,177 | 6,041 | 6,177 | 6,041 |
| | <u>421,707</u> | <u>383,869</u> | <u>421,707</u> | <u>383,869</u> |
| Total liabilities | <u>561,832</u> | <u>510,110</u> | <u>477,645</u> | <u>426,910</u> |
| Capital and reserves | | | | |
| Share capital | 2,373,685 | 2,373,685 | 2,373,685 | 2,373,685 |
| Capital reserve | (1,137,504) | (1,137,504) | 11,229 | 11,229 |
| Currency translation reserve | 5,238 | 27,742 | (10,746) | (712) |
| Warrant reserve | 101,651 | 101,651 | 101,651 | 101,651 |
| Statutory reserve | 39,262 | 39,262 | - | - |
| Accumulated losses | (1,416,617) | (1,347,408) | (2,155,417) | (2,114,644) |
| Equity attributable to equity holders of the Company | <u>(34,285)</u> | <u>57,428</u> | <u>320,402</u> | <u>371,209</u> |
| Total liabilities and equity | <u>527,547</u> | <u>567,538</u> | <u>798,047</u> | <u>798,119</u> |

1(c)(ii) Aggregate amount of the Group's borrowings and debt securities.

| | Group | | | |
|---|--------------------|----------------------|------------------------|----------------------|
| | As at 30 June 2014 | | As at 31 December 2013 | |
| | Secured RMB'000 | Unsecured RMB'000 | Secured RMB'000 | Unsecured RMB'000 |
| Amount payable in one year or less, or demand | - | 14,237 | - | 12,016 |
| Amount repayable after one year | - | 289,666 | - | 254,746 |
| Total | - | 303,903 | - | 266,762 |

Details of any collateral

The Unsecured amount repayable after one year of RMB289 million relates to a restructured 3-year Convertible Loan which was completed in a Proposed Restructuring Exercise on an Extraordinary General Meeting (EGM) held on 10 July 2012.

The restructured Convertible Loan was classified as non-current liabilities as they will expire on 13 July 2015.

1(d) A cash flow statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

| | Group | | | |
|--|-----------------------|-------------------|-----------------------|-------------------|
| | 3 months ended | | 6 months ended | |
| | 2014-06-30 | 2013-06-30 | 2014-06-30 | 2013-06-30 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cash Flows from Operating Activities | | | | |
| Loss before income tax | (52,071) | (76,637) | (69,161) | (121,886) |
| Adjustments for: | | | | |
| Gain arising from changes in fair value less cost to sell of biological assets | 14,936 | 12,543 | 2,430 | (2,230) |
| Depreciation of property, plant and equipment | 16,160 | 19,521 | 32,194 | 39,109 |
| Gain on disposal of property, plant and equipment | (19,992) | (897) | (19,992) | (897) |
| (Gain) Loss on disposal of prepaid lease | - | 897 | (4,208) | 897 |
| Reversal of allowance for doubtful debts | - | (4,413) | - | (4,413) |
| Interest income | (1) | (2) | (1) | (3) |
| Interest expense | 26,378 | 16,408 | 37,350 | 31,140 |
| Amortisation of prepaid leases | 168 | 98 | 327 | 323 |
| Net foreign exchange difference | (2,413) | 6,818 | (12,030) | (2,294) |
| Operating cash flows before working capital changes | (16,835) | (25,664) | (33,091) | (60,254) |
| Trade receivables | 5 | 2,970 | 5 | (712) |
| Other receivables | 10,753 | (2,974) | 9,942 | 7,181 |
| Inventories | - | 167 | - | 7,718 |
| Biological assets | 830 | 2,376 | 949 | 9,484 |
| Trade payables | 3,541 | 7,297 | 6,181 | 125 |
| Other payables | (3,908) | 17,799 | 2,885 | 17,859 |
| Cash used in operations | (5,614) | 1,971 | (13,129) | (18,599) |
| Interest received | 1 | 2 | 1 | 3 |
| Interest paid | - | (3,744) | - | (3,947) |
| Income taxes paid | - | - | (48) | - |
| Cash flows used in from operating activities | (5,613) | (1,771) | (13,176) | (22,543) |
| Investing activities | | | | |
| Purchase of property, plant and equipment | - | - | - | (571) |
| Proceeds from disposal of property, plant and equipment | 3,000 | 7,647 | 7,900 | 7,647 |
| Cash flows used in investing activities | 3,000 | 7,647 | 7,900 | 7,076 |
| Financing activities | | | | |
| Proceeds on loan from investors | 1,972 | 910 | 1,972 | 20,834 |
| Repayment of bank loan | - | (7,611) | - | (7,611) |
| Cash flows from financing activities | 1,972 | (6,701) | 1,972 | 13,223 |
| Net decrease in cash and cash equivalent | (641) | (825) | (3,304) | (2,244) |
| Cash and cash equivalent at beginning of the period | 2,868 | 3,035 | 5,531 | 4,454 |
| Cash and cash equivalents at end of the period | 2,227 | 2,210 | 2,227 | 2,210 |

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following:

| | 6 months ended | |
|------------------------|-----------------------|-------------------|
| | 30/06/2014 | 30/06/2013 |
| | RMB'000 | RMB'000 |
| Cash and bank balances | 2,227 | 2,210 |

1(d)(i) A statement (for the Issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

| | Share capital | Capital reserve | Currency translation reserve | Warrant reserve | Statutory surplus reserve funds | Accumulated losses | Total attributable to equity holders of the Company | Non controlling interest | Total |
|---|------------------|--------------------|------------------------------|-----------------|---------------------------------|--------------------|---|--------------------------|-----------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| The Group | | | | | | | | | |
| Balance as at 1 Jan 2013 | 2,202,268 | (1,137,504) | (12,482) | 107,092 | 39,262 | (902,746) | 295,890 | - | 295,890 |
| Loss for the year | - | - | - | - | - | (121,886) | (121,886) | - | (121,886) |
| <u>Other comprehensive income</u> | | | | | | | | | |
| Foreign currency translation | - | - | 15,187 | - | - | - | 15,187 | - | 15,187 |
| Total comprehensive income/(loss) for the period | - | - | 15,187 | - | - | (121,886) | (106,699) | - | (106,699) |
| Exercise of convertible warrant | 29,231 | - | - | (4,216) | - | - | 25,015 | - | 25,015 |
| Balance as at 30 June 2013 | 2,231,499 | (1,137,504) | 2,705 | 102,876 | 39,262 | (1,024,632) | 214,206 | - | 214,206 |
| Balance as at 1 Jan 2014 | 2,373,685 | (1,137,504) | 27,742 | 101,651 | 39,262 | (1,347,408) | 57,428 | - | 57,428 |
| Loss for the period | - | - | - | - | - | (69,209) | (69,209) | - | (69,209) |
| <u>Other comprehensive income</u> | | | | | | | | | |
| Foreign currency translation | - | - | (22,504) | - | - | - | (22,504) | - | (22,504) |
| Total comprehensive income/(loss) for the period | - | - | (22,504) | - | - | (69,209) | (91,713) | - | (91,713) |
| Balance at 30 June 2014 | 2,373,685 | (1,137,504) | 5,238 | 101,651 | 39,262 | (1,416,617) | (34,285) | - | (34,285) |

| | <u>Share capital</u> | <u>Capital reserve</u> | <u>Currency translation reserve</u> | <u>Warrant reserve</u> | <u>Accumulated losses</u> | <u>Total</u> |
|---|----------------------|------------------------|-------------------------------------|------------------------|---------------------------|------------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| <u>The Company</u> | | | | | | |
| Balance as at 1 Jan 2013 | 2,202,268 | 11,229 | 15,932 | 107,092 | (708,785) | 1,627,736 |
| Loss for the period | - | - | - | - | (36,689) | (36,689) |
| <u>Other comprehensive income</u> | | | | | | |
| Foreign currency translation | - | - | (13,042) | - | - | (13,042) |
| Total comprehensive income/(loss) for the period | - | - | (13,042) | - | (36,689) | (49,731) |
| Exercise of convertible warrant | 29,231 | - | - | (4,216) | - | 25,015 |
| Balance as at 30 June 2013 | 2,231,499 | 11,229 | 2,890 | 102,876 | (745,474) | 1,603,020 |
| Balance as at 1 Jan 2014 | 2,373,685 | 11,229 | (712) | 101,651 | (2,114,644) | 371,209 |
| Loss for the period | - | - | - | - | (40,773) | (40,773) |
| <u>Other comprehensive income</u> | | | | | | |
| Foreign currency translation | - | - | (10,034) | - | - | (10,034) |
| Total comprehensive income/(loss) for the period | - | - | (10,034) | - | (40,773) | (50,807) |
| Balance as at 30 June 2014 | 2,373,685 | 11,229 | (10,746) | 101,651 | (2,155,417) | 320,402 |

1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in the Company's share capital since the end of the previous period reported on.

As of 30 June 2014, there were 1,018,565,587 outstanding warrants. If all the outstanding warrants were converted to shares, there will be 4,656,507,134 shares issued.

The Company did not have any treasury shares as at 30 June 2014.

(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued shares as at 30 June 2014 is 3,637,941,547 shares (31 December 2013: 3,637,941,547 shares).

(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been reviewed or audited by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those applied in the Group's most recently audited financial statements for the year ended 31 December 2013.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

| | 3 months ended | | 6 months ended | |
|--|----------------|---------------|----------------|---------------|
| | 30/6/2014 | 30/6/2013 | 30/6/2014 | 30/6/2013 |
| a) EPS based on weighted average number of shares (RMB cents/ share) | (1.43) | (2.91) | (1.93) | (4.69) |
| b) EPS based on fully diluted basis (RMB cents/ share) | (1.43) | (2.91) | (1.93) | (4.69) |
| Weighted average number of shares applicable to earnings per share | 3,637,941,547 | 2,636,189,529 | 3,637,941,547 | 2,598,441,503 |
| Weighted average number of shares fully diluted basis | 3,637,941,547 | 2,636,189,529 | 3,637,941,547 | 2,598,441,503 |

Basic earnings per share is calculated by dividing earnings for the period attributable to the equity holders of the Company by the weighted average number of ordinary shares issued during the financial period under review.

The dilutive earning per share is shown as the same amount as the basic earnings per share because the warrants are considered anti dilutive and ignored in the computation of diluted earnings per share.

7. Net asset value (for the Issuer and Group) per ordinary share based on issued share capital excluding treasury shares of the Issuer at the end of the:-

- (a) current financial period reported on; and
(b) immediately preceding financial year.**

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 30/06/2014 | 31/12/2013 | 30/06/2014 | 31/12/2013 |
| Net asset value per ordinary share based on issued share capital as at end of the period (RMB cents/share) | (0.94) | 1.58 | 8.8 | 10.2 |

Net asset value for the Group and the Company as at 30 June 2014 and 31 December 2013 are computed based on 3,637,941,547 at the end of the financial period under review.

The negative net asset value was caused by the impairment on unutilised farms in prior year amounting to RMB55 million. This amount will be reversed when the farms resume operation. In addition, depreciation expense, which is non cash item, has reduced the Group net asset by RMB32.2 million in this quarter. Nevertheless, in regard of cash related items, it shows a positive EBITDA of RMB383,000 for the 6 months ended 30 June 2014.

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors.

REVIEW OF RESULTS OF OPERATIONS

The Group 2Q 2014 Adjusted EBITDA* is a loss of RMB12.6 million.

| In RMB'000 | Q2/2014 | Q1/2014 | Q4/2013 |
|---|-----------------|--------------|------------------|
| Net loss | (52,071) | (17,138) | (217,857) |
| Add/(deduct) | | | |
| Income tax | - | 48 | (17,866) |
| Depreciation | 16,160 | 16,034 | 20,481 |
| Interest expense | 26,378 | 10,972 | 23,339 |
| EBITDA | (9,533) | 9,916 | (191,903) |
| Allowance for doubtful trade receivables | - | - | 1,016 |
| Foreign exchange (gain)/loss | (3,097) | (9,193) | 19,348 |
| Impairment loss on property plant and equipment | - | - | 35,563 |
| Write off of property plant and equipment | - | - | 81,808 |
| Impairment loss on prepaid lease | - | - | 2,123 |
| Inventory written down | - | - | 1,175 |
| Fair value loss on financial derivatives | - | - | 36,723 |
| Adjusted EBITDA | (12,630) | 723 | (14,147) |

*Adjusted EBITDA demonstrates the real operating loss excluding non-cash items e.g. depreciation, amortization, interest expense and unrealized foreign exchange gain or loss etc.

Sales of live marine products decreased by RMB6.2 million or 88% from RMB7 million in 2Q 2013 to RMB0.8 million in 2Q 2014. Abalone prices meanwhile remained weak reflect the continuing impact of frugality measures imposed by the China government, abalone like many other high end consumer products including liquor were affected by the frugality drive.

The Group reported an YTD loss of RMB69.2 million against loss of RMB121.9 million for the same period last year. The favorable variance of RMB52.7 million was mainly due to:

- (1) Gain or loss arising from changes in fair value of biological assets was decreased by RMB4.6 million as a result of decline in the fair value of unit prices in each category and decrease in abalone population from 55.6 million units in Q4 2013 to 27.8 million units in Q2 2014 as compared to the same period last year. The 53 million that are uncaged have not been valued.
- (2) Direct Production Costs refer to Feed, Electricity and Staff costs. Direct Production Cost for 6M 2014 of RMB23.9 million is RMB32.7 million or 136% lower than that in same period last year. The decrease was as a result of cost cutting measures implemented by the new management of the Group and decreasing of abalone population by 57%.
- (2) Foreign exchange gain was due to RMB strengthening against SGD as at 30 June 2014, i.e SGD1: RMB4.93 as compared to 31 December 2013 i.e SGD1:RMB4.82.
- (3) Increase in finance cost was mainly due to higher notional interest recognised as compared to same period last year.

An analysis of the results by key business segment is as follows:-

Live Marine Products

Biological Assets: standing population & valuation as at 30 June 2014

I. Total Population (figures expressed in Thousands)

Sizes:

Large Size (5.8-8.2cm)
 Medium Size (3.8-5.7cm)
 Smaller Size (2.0-3.7cm)
 Uncaged (Approximate)

| Total | |
|---------------|---------------|
| Unit | RMB'000 |
| 311 | 867 |
| 14,611 | 11,234 |
| 12,969 | 4,426 |
| 53,020 | - |
| 80,911 | 16,527 |

Uncaged - relates to year 2013 cohort with sizes below 2cm and they are valued at zero value.

| II. <u>Caged Abalone Population (in '000 units)</u> | 2Q 2014 | 2Q 2013 | Favourable /(Adverse) |
|--|----------------|----------------|----------------------------------|
| - Larger sizes (5.8cm and above) | 311 | 3,605 | (91%) |
| - Medium sizes (3.8-5.7cm) | 14,611 | 20,089 | (27%) |
| - Smaller sizes | 12,969 | 41,322 | (69%) |
| Total Abalones | <u>27,891</u> | <u>65,016</u> | (57%) |
| III. <u>Tanks Utilized</u> | | | |
| No. of Juvenile tanks used | 2,783 | 13,716 | (80%) |
| No. of Grow-out tanks used | 1,505 | 2,884 | (48%) |
| | <u>4,288</u> | <u>16,600</u> | (74%) |

2Q 2014 Caged population decreased by 57% as compared to Q2 2013. Large, medium and smaller sizes have decreased by 91%, 27% and 69% respectively. Oceanus is consolidating the business in current frugality period and to prepare for the next upturn.

The Uncaged population is kept in juvenile tanks and carried at zero value which will be caged in coming September and October this year when the weather is cooler and the environment more suited to segregate and move the abalones in order to minimize stress, hereby preventing unnecessary mortalities.

There is 80% decrease in juvenile tanks resulting in an overall 74% decrease in tanks used as a result of decreasing abalone populations. Oceanus is reducing the utilization of tanks by selling off all the laggards and slow growing abalone to optimize costs efficiency and prepare for upcoming breeding project.

Note: the population mix is one of the key production cost drivers.

Live Marine Products (cont'd)

| | 3 months ended | | Favourable /(Adverse) % | 6 months ended | | Favourable /(Adverse) % |
|---------------------------|----------------------|----------------------|-------------------------------|----------------------|----------------------|-------------------------------|
| | 30/6/2014 RMB'000 | 30/6/2013 RMB'000 | | 30/6/2014 RMB'000 | 30/6/2013 RMB'000 | |
| External sales | 829 | 7,083 | -88% | 948 | 14,310 | -93% |
| (Loss)/Gain on fair value | (14,936) | (12,543) | 19% | (2,430) | 2,230 | NM |
| Other operating income | 134 | 4,090 | -97% | 289 | 5,042 | -94% |
| Feed used | (4,375) | (10,682) | 59% | (8,783) | (21,509) | 59% |
| Electricity and fuel | (2,459) | (7,313) | 66% | (5,931) | (14,611) | 59% |
| Staff costs | (2,903) | (8,259) | 65% | (5,836) | (16,629) | 65% |
| Depreciation | (16,160) | (19,487) | 17% | (32,194) | (39,039) | 18% |
| Foreign exchange | 1,728 | 9,012 | -81% | (2,345) | 13,848 | NM |
| Other operating expenses | (4,292) | (489) | >-100% | (6,249) | (4,091) | -53% |
| Net loss before tax | (43,263) | (45,671) | | (63,479) | (74,759) | |

Sales for Live marine products in 6M 2014 were RMB900K representing a 93% decrease from 6M 2013. 6M 2014 sales comprised mainly sale of laggards and slow growing abalone.

Direct Production Costs refer to Feed, Electricity and Staff costs. Direct Production Cost for 6M 2014 of RMB20.5 million is RMB32.2 million or 157% lower than that in same period last year. The decrease was a result of cost cutting measures implemented by the new management of the Group and decreasing abalone population by 57%.

Other operating expenses increase by 53% due to Company has improved its security controls over farms to safeguard the Company's assets.

GROUP OPERATING ITEMS

Other operating income

Other operating income comprising mainly gain on disposal of prepaid lease, property, plant and equipment, rental income and scrap sales. There was a gain on disposal of prepaid lease and property, plant and equipment under discontinued processed marine products segment amounting to RMB4.2 million and RMB19.9 million respectively.

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

REVIEW OF BALANCE SHEET

Total assets of the Group decreased RMB40 million from RMB567.5 million at 31 December 2013 to RMB 527.5 million at 30 June 2014. This movement is attributable to the following:-

1. **Biological assets** decreased by RMB3.4 million from RMB19.9 million as at 31 December 2013 to RMB 16.5 million as at 30 June 2014. The decrease was due to sale of abalone (laggards & slow growing abalone) and mortality.
2. **Property, plant and equipment** decreased by RMB32.1 million from RMB510.5 million as at 31 December 2013 to RMB478.4 million as at 30 June 2014. The decrease was due to depreciation charge for this quarter.

Total current liabilities increased by RMB13.9 million from RMB126.2 million as at 31 December 2013 to RMB140.1 million as at 30 June 2014 due to increase in amount due to trade supplier - feed of RMB6.2 million, additional loan from third parties of RMB2 million for working capital uses and increase of interest payable arising from outstanding convertible loan of RMB9.5 million as at 30 June 2014, the increase was offset against net repayment to other payables amounting to RMB3.8 million.

Non-current liabilities refer to the convertible loan, derivative and deferred tax liability. Increase of RMB37.8 million due to notional interest charge of RMB27.5 million and unrealized foreign currency loss of RMB10.3 million recognized in this quarter.

Total equity decrease by RMB91.7 million to - RMB34.2 million as of 30 June 2014 was due to 6M 2014 losses and decrease in translation reserve.

REVIEW OF CASH FLOW STATEMENT

The Group generated a negative cash flow of RMB3.3 million for the 6 months ended 30 June 2014. In this quarter, the Group has received additional RMB3 million from disposal of property, plant and equipment of processing plant and RMB2 million loan from third parties. These amounts were solely used for working capital purposes.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months

The consumer market for luxury items like abalones continued to be weak but stabilised at this level. This weak market will remain unchanged for the rest of this year. With the consolidation of the farming sector, the prices for juvenile abalones are expected to recover next year.

Management continues actively to cull the existing abalone population to stringently ensure only the best performing abalones are retained despite having a smaller population. This is important to improve our cost of production to maximise cost efficiency for future profitability. This strategy will be our guiding principle for strict adherence. Management is preparing for the coming breeding season in October to produce substantial number of juveniles for sale next year to boost cash flow and population numbers, aided by very selective purchases of good quality abalones for further grow out to repopulate certain size categories of the population. Cost control and cash flow management will be top priority.

Financially, the Group continues to review and reduce costs. Losses have narrowed markedly and the Group is marginally EBITA positive for the six months ended 30 June 2014.

The Group will continue to work with tertiary and research institutions to bring technology to farming to improve cost and production efficiency. The Group is also discussing with technology partners in the aquaculture field on possible joint ventures to diversify the Group into other high value seafood. At the same time, it is exploring possible future mergers and acquisitions to value add to the Group.

Lastly, the Group has recently announced a binding term sheet to raise S\$30 million to finance ongoing operations which the existing warrant holders have also agreed to. Most notable is the mandatory conversion of the warrants to shares at certain share price targets in the term sheet. This move will eventually eliminate the debt burden on the Group. The legal documentation for submission to SGX and EGM for approval is in progress.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920 (1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

There is no general mandate obtained from shareholders for the interested person's transactions.

14. Use of Net Proceed from the Rights Issue

The Group has fully utilized the net proceeds of S\$28,253,000 raised from Rights Issue as of 30 June 2014 as follows:

| | Amount |
|--|----------------------|
| | S\$'000 |
| Payment of Company's subsidiaries expenses: | |
| - Repayment of trade payables | 2,664 |
| - Repayment of loan and borrowings | 1,818 |
| - Abalone breeding project expenditure | 506 |
| - Production and other operating expenses | 4,672 |
| Repayment of bank loans | 557 |
| Reconstruction of production facilities | 1,640 |
| Repayment of loan and advances taken for the working capital of the Company's subsidiaries | 11,085 |
| Payment of the Company's professional & legal fee | 2,723 |
| Payment of the Company's other operating expenses | 2,588 |
| | <u>28,253</u> |
| Balance unutilised | <u>-</u> |
| Total net proceeds | <u><u>28,253</u></u> |

13. Negative assurance confirmation on the interim financial results pursuant to Rule 705(5) of the listing manual.

The Board hereby confirms to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results for the 6 months ended 30 June 2014 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

**Ng Cher Yew
Executive Chairman
8 August 2014**