



OCEANUS GROUP LIMITED

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BUSINESS DEVELOPMENT AND OPERATIONAL UPDATES BY THE BOARD OF DIRECTORS

The Board of Directors (the “**Board**”) of Oceanus Group Limited (the “**Company**” and collectively with its subsidiaries, the “**Group**”) is please to provide the following updates in respect of the recent development of the Group’s production and business operations in China:-

1. Revamp of the Management Structure in China

To improve the Group’s internal control and management structures, the Group has undertaken a personnel restructuring for the Company’s PRC subsidiaries, whereby Mr Wu Yongshou was removed from the position as the general manager, and the former PRC senior management team, comprising Mr Wu Yongshou, 17 farm managers and 9 key management personnel, was removed and replaced by the new senior management team established by the Board. The new senior management team is led directly by the Executive Chairman/CEO, the Chief Operating Officer and the Chief Risk Officer, who will be supported by a dedicated, competent and experienced team of farm managers to be newly appointed.

With the new senior management team in full and direct control of the Group’s overall operations and production in China, the Group will take this opportunity to strengthen its management team with new hires of highly experienced senior farm managers who are expected to have over the years acquired extensive technical know-how, in-depth knowledge and understanding of the aquaculture industry and abalone farming. The Group is now actively identifying prospective candidates. The proposed appointments are in line with the Group’s strategic focus on providing strong managerial support to the Group’s future growth by the injection of new talents.

This significant move not only enables the Group to have a much stronger grip on its PRC operations, but will also set the Group on a new path for growth under the leadership of a more accountable, science & evidence-based approach, conscious, transparent, cohesive and compliant operational and management team reporting directly to the Board.

2. Evidence-based Scientific Farming Practice with Comprehensive Operating Manuals in Place

Following the installation of the newly-designed caging system, water filtration and re-circulating system as announced previously, the Group now further intends to put in place advanced cutting-edge production and farming technologies and processes to increase production efficiency, breeding success rate and to reduce abalone mortality.

The Group has developed a science-based approach to farming with standardized operating manuals for effective monitoring of key parameters for successful farming and to develop a core team of managers and workers trained in the science of farming. This approach will be adopted and implemented in phases across all of the Group's farms and for all workers in China. The Singapore management team is also in the process of putting together comprehensive manuals and protocols to standardize the practice. This will allow the Group to undertake contract farming with a view to selling them the Group's juveniles and feed while harvesting their abalones for processing.

The first two manuals the Group is currently implementing are the "Farm Safety and Risk Management Plans for Oceanus Farms" and the "Abalone Breeding Manual" respectively. The Farm Safety and Risk Management Plans deal extensively with (i) standard operating procedures ("SOP") for the Group's farm safety, in terms of animal health, farm bio-security and farm worker's health and safety; and (ii) risk management plans for all of the Group's farms in China, primarily comprising the identification of all risks and hazards affecting abalone farms, risk characterization, elements of risk analysis and risk management processes and protocol for all Oceanus farms. On the other hand, the Abalone Breeding Manual aims to achieve increase in the survival and growth rate of the Group's larvae and juveniles and it documents the entire breeding process which includes the Group's proprietary breeding processes and protocols. This evidence-based scientific approach, coupled with the Group's many years of hands-on breeding experience, will be implemented for all future breeding programmes of the Group across all of its PRC farms.

3. Consolidation of Production and Abalone Farms

Following the management change, the Group is embarking on strategic consolidation exercises to progressively focus and relocate the majority of its land-based farming and abalone breeding activities to 2 major areas in China, i.e. Gu Lei and Fo Tan, both ideally located in the Fujian Province of China with relatively short distance apart from each other. This approach aims to allow the Group the ease of management and to better utilize the Group's limited financial and human resources, which will translate into competitive cost advantages and maximized operational efficiency, by not having to spread the Group's human and financial resources in abalone farms scattered all over different provinces in China.

Coupled with the on-going consolidation of in-house farming operations, the Group is therefore actively exploring the leasing of its newly un-utilized farming assets or forming joint ventures with other local and international aquaculture players with these assets to diversify into new aquaculture products. When the Group's abalone business reaches a sustainable and profitable level through organic growths, it may consider territorial expansion in the future only if this is justified.

4. Breeder of Choice

Like many other abalone farms, the Group also suffered some losses due to Typhoon Usagi in 2013. In financial terms, these losses were not significant as many of the grow out stock were not affected but they were sold during the takeover period to settle accounts payables. This gave the Group the opportunity to consolidate its operations to focus on breeding good quality juveniles for the market.

While the Group has plans to re-populate the abalone population to get a “3-year Cohort” profile while stabilizing its existing abalone population, the Group will focus on breeding large quantities of high quality juveniles with improved genetics from the next breeding season in 2014, an ability demonstrated in 2013. This will enable the Group to select the best abalones for caging and for grow out into premium large abalones, and to improve its future cash flow when the Group culls for sale a proportion of each year-cohort of abalones per year so as to retain the better ones for further grow out till the next year and so on. Also, in order to become the breeder of choice for other farms, the Group needs to improve the brood stock and the genetics of its abalone population. To achieve this, efforts will be made for the Group to purchase good quality breeder abalones from Japan and locally to add to the genetic pool.

Efforts will also be made to collaborate with the right partners to acquire feed technology to produce in-house artificial feeds for nursery and grow outs so that the industry is not reliant on harvested seaweeds for the abalones, the supply of which is seasonal and the quality varies from season to season. Breeding and feed availability are important pillars for scaling the abalone industry. Feed costs currently account for a significant portion of the Group's overall costs of production. Processing our own feed will not only substantially lower the Group's costs of production but will also ensure consistent feed standard, quality and constant feed supply to the Group's farms. This will alleviate the Group's reliance on fresh feed purchase that is price volatile and easily affected by weather conditions.

The above recent developments and strategies, taken together, are aimed at improving our production efficiencies, internal control and management system, so as to better position the Group to take advantage of the new opportunities ahead. The Company expects financial impact of this series of reforms and developments to start within this financial year. The Company will make further announcements in due course to inform its Shareholders as and when there are any major updates.

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

Dr. Ng Cher Yew
Executive Chairman

23 January 2014
Singapore