



Oceanus Group Limited

61 Robinson Road
 #10-01 Robinson Centre
 Singapore 068893
 Tel: +65 6837 0568
 Fax: +65 6837 2660

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

UNAUDITED SECOND QUARTER FINANCIAL STATEMENTS AND ANNOUNCEMENT FOR THE 6 MONTHS ENDED 30 JUNE 2015 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) % |
|---|----------------------|----------------------|-------------------------------|----------------------|----------------------|-------------------------------|
| | 30/6/2015 RMB'000 | 30/6/2014 RMB'000 | | 30/6/2015 RMB'000 | 30/6/2014 RMB'000 | |
| Sales of aquaculture products | | | | | | |
| Sales of live marine products | 891 | 829 | 7 | 891 | 948 | (6) |
| Sales of processed marine products | 23 | - | 100 | 163 | - | 100 |
| | 914 | 829 | 10 | 1,054 | 948 | 11 |
| Continuing operations | | | | | | |
| Gain/(Loss) arising from changes in fair value less cost to sell of biological assets | 7,553 | (14,936) | NM | 7,588 | (2,430) | NM |
| Sales of processed marine products | 23 | - | 100 | 163 | - | 100 |
| | 7,576 | (14,936) | NM | 7,751 | (2,430) | NM |
| Cost of sales | (14) | - | (100) | (118) | - | (100) |
| Other operating income | 1,658 | 139 | >100 | 1,701 | 294 | >100 |
| Feed used | (211) | (4,375) | 95 | (412) | (8,783) | 95 |
| Electricity, fuel and water | (506) | (2,459) | 79 | (1,212) | (5,931) | 80 |
| Staff costs | (2,691) | (4,645) | 42 | (5,299) | (9,263) | 43 |
| Foreign currency gain/(loss) | 23,282 | 3,097 | >100 | 2,870 | 14,495 | (80) |
| Other operating expenses | (2,375) | (6,189) | 62 | (4,226) | (9,811) | 57 |
| Depreciation | (15,802) | (16,160) | 2 | (31,613) | (32,194) | 2 |
| Finance costs | (20,117) | (26,378) | 24 | (39,637) | (37,350) | (6) |
| Loss before income tax | (9,200) | (71,906) | 87 | (70,195) | (90,973) | 23 |
| Income tax | 63 | - | 100 | - | (48) | 100 |
| Loss for the year from continuing operations | (9,137) | (71,906) | 87 | (70,195) | (91,021) | 23 |
| Discontinued operations | | | | | | |
| Profit for the year from discontinued operations | 1 | 19,835 | (100) | 79 | 21,812 | (100) |
| Loss for the year | (9,136) | (52,071) | 82 | (70,116) | (69,209) | (1) |

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

| | 3 months ended | | Favourable /(Adverse) | 6 months ended | | Favourable /(Adverse) |
|---|----------------------|----------------------|--------------------------|----------------------|----------------------|--------------------------|
| | 30/6/2015 RMB'000 | 30/6/2014 RMB'000 | % | 30/6/2015 RMB'000 | 30/6/2014 RMB'000 | % |
| <u>Continuing operations</u> | | | | | | |
| Interest income | (1) | (1) | - | (1) | (1) | - |
| Interest expense | | | | | | |
| (i) Coupon rate 5% | 3,640 | 4,389 | 17 | 7,228 | 8,625 | 16 |
| (ii) Notional interest | 14,936 | 20,911 | 29 | 29,845 | 27,502 | (9) |
| (iii) loan interest | 684 | 147 | >(100) | 1,291 | 292 | >(100) |
| (iv) Withholding tax | 857 | 931 | 8 | 1,273 | 931 | (37) |
| Depreciation of property, plant and equipment | 15,802 | 16,160 | 2 | 31,613 | 32,194 | 2 |
| Amortisation of prepaid leases | 122 | 168 | 27 | 245 | 327 | 25 |
| Operating lease expenses | 411 | 434 | 5 | 817 | 863 | 5 |
| Foreign exchange (gain)/loss | (23,282) | (3,097) | >100 | (2,870) | (14,495) | (80) |
| <u>Discontinued operations</u> | | | | | | |
| Gain on disposal of plant and equipment | - | (19,992) | (100) | - | (19,992) | (100) |
| (Gain)/loss on disposal of prepaid lease | - | - | - | - | (4,208) | (100) |
| Foreign exchange (gain)/loss | (1) | 449 | NM | (103) | 2,654 | 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> | |
|---|-----------------------|-----------------|-----------------------|-----------------|
| | 30/6/2015 | 30/6/2014 | 30/6/2015 | 30/6/2014 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Loss for the period | (9,136) | (52,071) | (70,116) | (69,209) |
| Other comprehensive income | | | | |
| Exchange differences on translation of foreign operations | (12,039) | (6,106) | 31,471 | (22,504) |
| Total comprehensive income for the period | <u>(21,175)</u> | <u>(58,177)</u> | <u>(38,645)</u> | <u>(91,713)</u> |
| Attributable to: | | | | |
| Equity holders of the Company | <u>(21,175)</u> | <u>(58,177)</u> | <u>(38,645)</u> | <u>(91,713)</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 | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 30/6/2015 RMB'000 | 31/12/2014 RMB'000 | 30/6/2015 RMB'000 | 31/12/2014 RMB'000 |
| ASSETS | | | | |
| <u>Current assets</u> | | | | |
| Cash and bank balances | 727 | 4,678 | 27 | 274 |
| Trade receivables | - | - | - | - |
| Other receivables | 14,479 | 13,930 | 30,603 | 24,768 |
| Inventories | 117 | - | - | - |
| Biological assets | 6,702 | 41 | - | - |
| | <u>22,025</u> | <u>18,649</u> | <u>30,630</u> | <u>25,042</u> |
| <u>Non-current assets</u> | | | | |
| Property, plant and equipment | 406,617 | 438,156 | - | - |
| Prepaid leases | 10,525 | 10,785 | - | - |
| Investment in subsidiaries | - | - | 795,000 | 795,000 |
| | <u>417,142</u> | <u>448,941</u> | <u>795,000</u> | <u>795,000</u> |
| Total assets | <u>439,167</u> | <u>467,590</u> | <u>825,630</u> | <u>820,042</u> |
| LIABILITIES AND EQUITY | | | | |
| <u>Current liabilities</u> | | | | |
| Trade payables | 10,718 | 15,176 | - | - |
| Other payables | 94,830 | 71,290 | 72,038 | 63,368 |
| Loans and borrowings | 42,756 | 36,535 | 42,756 | 36,535 |
| Current tax payable | 23,948 | 23,948 | - | - |
| Convertible loan | 322,048 | 301,649 | 322,048 | 301,649 |
| Derivative liabilities | 115,085 | 118,749 | 115,085 | 118,749 |
| | <u>609,385</u> | <u>567,347</u> | <u>551,927</u> | <u>520,301</u> |
| <u>Non-current liabilities</u> | | | | |
| Convertible loan | - | - | - | - |
| Derivative liabilities | - | - | - | - |
| Deferred tax liabilities | 5,648 | 5,828 | 5,648 | 5,828 |
| | <u>5,648</u> | <u>5,828</u> | <u>5,648</u> | <u>5,828</u> |
| Total liabilities | <u>615,033</u> | <u>573,175</u> | <u>557,575</u> | <u>526,129</u> |
| <u>Capital and reserves</u> | | | | |
| 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 | 60,047 | 60,212 | 33,914 | 18,259 |
| Warrant reserve | 101,651 | 101,651 | 101,651 | 101,651 |
| Statutory reserve | 39,262 | 39,262 | - | - |
| Accumulated losses | (1,613,007) | (1,542,891) | (2,252,424) | (2,210,911) |
| Equity attributable to equity holders of the Company | <u>(175,866)</u> | <u>(105,585)</u> | <u>268,055</u> | <u>293,913</u> |
| Total liabilities and equity | <u>439,167</u> | <u>467,590</u> | <u>825,630</u> | <u>820,042</u> |

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

| | Group | | | |
|---|--------------------|----------------------|------------------------|----------------------|
| | As at 30 June 2015 | | As at 31 December 2014 | |
| | Secured RMB'000 | Unsecured RMB'000 | Secured RMB'000 | Unsecured RMB'000 |
| Amount payable in one year or less, or demand | - | 42,756 | - | 36,535 |
| Amount repayable in one year or less | - | 322,048 | - | 301,649 |
| Total | - | 364,804 | - | 338,184 |

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 current liabilities as they had expired on 13 July 2015. The due date for the repayment of such amount will be extended to 31 December 2016 upon the Proposed Restructuring becoming effective.

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 | |
| | 30/6/2015 | 30/6/2014 | 30/6/2015 | 30/6/2014 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cash Flows from Operating Activities | | | | |
| Loss before income tax | (9,199) | (52,071) | (70,116) | (69,161) |
| Adjustments for: | | | | |
| (Gain) Loss arising from changes in fair value less cost to sell of biological assets | (7,553) | 14,936 | (7,588) | 2,430 |
| Depreciation of property, plant and equipment | 15,802 | 16,160 | 31,613 | 32,194 |
| Gain on disposal of property, plant and equipment | - | (19,992) | - | (19,992) |
| Gain on disposal of prepaid lease | - | - | - | (4,208) |
| Interest income | (1) | (1) | (1) | (1) |
| Interest expense | 20,117 | 26,378 | 39,637 | 37,350 |
| Amortisation of prepaid leases | 122 | 168 | 245 | 327 |
| Net foreign exchange difference | (38,260) | (2,413) | (14,640) | (12,030) |
| Operating cash flows before working capital changes | (18,972) | (16,835) | (20,850) | (33,091) |
| Trade receivables | - | 5 | - | 5 |
| Other receivables | (620) | 10,753 | (549) | 9,942 |
| Inventories | 16 | - | (117) | - |
| Biological assets | 927 | 830 | 927 | 949 |
| Trade payables | (1,736) | 3,541 | (4,458) | 6,181 |
| Other payables | 14,453 | (3,908) | 13,747 | 2,885 |
| Cash used in operations | (5,932) | (5,614) | (11,300) | (13,129) |
| Interest received | 1 | 1 | 1 | 1 |
| Income taxes paid | 63 | - | - | (48) |
| Cash flows used in operating activities | (5,868) | (5,613) | (11,299) | (13,176) |
| Investing activities | | | | |
| Proceeds from disposal of property, plant and equipment | - | 3,000 | - | 7,900 |
| Cash flows used in investing activities | - | 3,000 | - | 7,900 |
| Financing activities | | | | |
| Proceeds on loan from investors | 5,475 | 1,972 | 7,348 | 1,972 |
| Cash flows from financing activities | 5,475 | 1,972 | 7,348 | 1,972 |
| Net decrease in cash and cash equivalent | (393) | (641) | (3,951) | (3,304) |
| Cash and cash equivalent at beginning of the period | 1,120 | 2,868 | 4,678 | 5,531 |
| Cash and cash equivalents at end of the period | 727 | 2,227 | 727 | 2,227 |

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

| | 6 months ended | |
|------------------------|-----------------------|-------------------|
| | 30/06/2015 | 30/06/2014 |
| | RMB'000 | RMB'000 |
| Cash and bank balances | 727 | 2,227 |

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 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) |
| Balance as at 1 Jan 2015 | 2,373,685 | (1,137,504) | 60,212 | 101,651 | 39,262 | (1,542,891) | (105,585) | - | (105,585) |
| Loss for the period | - | - | - | - | - | (70,116) | (70,116) | - | (70,116) |
| <u>Other comprehensive income</u> | | | | | | | | | |
| Foreign currency translation | - | - | (165) | - | - | - | (165) | - | (165) |
| Total comprehensive income/(loss) for the period | - | - | (165) | - | - | (70,116) | (70,281) | - | (70,281) |
| Balance at 30 June 2015 | 2,373,685 | (1,137,504) | 60,047 | 101,651 | 39,262 | (1,613,007) | (175,866) | - | (175,866) |

| | <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 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 |
| Balance as at 1 Jan 2015 | 2,373,685 | 11,229 | 18,259 | 101,651 | (2,210,911) | 293,913 |
| Loss for the period | - | - | - | - | (41,513) | (41,513) |
| <u>Other comprehensive income</u> | | | | | | |
| Foreign currency translation | - | - | 15,655 | - | - | 15,655 |
| Total comprehensive income/(loss) for the period | - | - | 15,655 | - | (41,513) | (25,858) |
| Balance as at 30 June 2015 | 2,373,685 | 11,229 | 33,914 | 101,651 | (2,252,424) | 268,055 |

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 2015, 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 2015.

(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 2015 is 3,637,941,547 shares (31 December 2014: 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 | |
|--|----------------|---------------|----------------|---------------|
| | 30/6/2015 | 30/6/2014 | 30/6/2015 | 30/6/2014 |
| a) EPS based on weighted average number of shares (RMB cents/ share) | (0.25) | (1.43) | (1.93) | (1.93) |
| b) EPS based on fully diluted basis (RMB cents/ share) | (0.25) | (1.43) | (1.93) | (1.93) |
| Weighted average number of shares applicable to earnings per share | 3,637,941,547 | 3,637,941,547 | 3,637,941,547 | 3,637,941,547 |
| Weighted average number of shares fully diluted basis | 3,637,941,547 | 3,637,941,547 | 3,637,941,547 | 3,637,941,547 |

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 | |
|--|------------|------------|------------|------------|
| | 30/06/2015 | 31/12/2014 | 30/06/2015 | 31/12/2014 |
| Net asset value per ordinary share based on issued share capital as at end of the period (RMB cents/share) | (4.83) | (2.90) | 7.37 | 8.08 |

Net asset value for the Group and the Company as at 30 June 2015 and 31 December 2014 are computed based on 3,637,941,547 at the end of the financial period under review.

The major contributions to the negative net asset value are the convertible loan and its derivative amounting to RMB322 million and RMB115 million respectively. If all the outstanding warrants were converted to shares, it will have a very favorable impact to the Group.

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 2015 Adjusted EBITDA* is a gain of RMB3.5 million.

| In RMB'000 | Q2/2015 | Q1/2015 | Q4/2014 |
|--|-----------------|-----------------|-----------------|
| Net loss | (9,136) | (60,980) | (55,625) |
| Add/(deduct) | | | |
| Income tax | (63) | 63 | - |
| Depreciation | 15,802 | 15,811 | 15,989 |
| Amortisation of prepaid lease | 122 | 123 | 149 |
| Interest expense | 20,117 | 19,520 | 26,662 |
| EBITDA | (26,842) | (25,463) | (12,825) |
| Foreign exchange (gain)/loss | (23,283) | 20,310 | 3,213 |
| Reversal loss on construction work in progress | - | - | (1,520) |
| (Reversal)/Write-down in value of inventories, net | - | - | (1,026) |
| Bad debt recovered | - | - | (1,030) |
| Adjusted EBITDA | 3,559 | (5,153) | (13,188) |

*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 has increased by RMB85K or 10% from RMB829K in 2Q 2014 to RMB914K in 2Q 2015.

The Group reported an YTD loss of RMB70.1 million against loss of RMB69.2 million for the same period last year. The unfavorable variance of RMB0.9 million was mainly due to recognition of one off gain on disposal of processing plant under discontinued operation amounting to RMB24.1 in last year.

After deductions of those non-cash items such as depreciation, amortization, interest expense and unrealized foreign exchange loss, it showed a positive EBITDA. This improvement of the adjusted EBITDA was due to the followings:

- (1) Gain or loss arising from changes in fair value of biological assets has increased by RMB10 million as a result of value recognition for those juveniles bred in last year that has been grown up to 2cm in sizes and are ready for sell as at 30 June 2015.
- (2) Direct Production Costs refer to Feed, Electricity and Staff costs. Direct Production Cost for 6M 2015 of RMB6.9 million is RMB23.9 million or 71% lower than that in same period last year. The decrease was as results of continuing cost cutting measures and decreasing in abalone population.

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

Live Marine Products

Biological Assets: standing population & valuation as at 30 June 2015

I. Total Population (figures expressed in Thousands)

Sizes:

| | Total | |
|--------------------------|-------------------|--------------|
| | Unit | RMB'000 |
| Large Size (5.8-8.2cm) | 5,400 | 17 |
| Medium Size (3.8-5.7cm) | 7,600 | 5 |
| Smaller Size (2.0-3.7cm) | 22,723,750 | 6,680 |
| Juvenile (Approximate) | - | - |
| | 22,736,750 | 6,702 |

| II. <u>Caged Abalone Population (in '000 units)</u> | 2Q 2015 | 2Q 2014 | Favourable /(Adverse) |
|--|----------------|----------------|----------------------------------|
| - Larger sizes (5.8cm and above) | 5 | 311 | (98%) |
| - Medium sizes (3.8-5.7cm) | 8 | 14,611 | (100%) |
| - Smaller sizes (2.0-3.7cm) | 22,724 | 12,969 | 75% |
| Total Abalones | <u>22,737</u> | <u>27,891</u> | (18%) |
| III. <u>Tanks Utilized</u> | | | |
| No. of Juvenile tanks used | 1,293 | 2,783 | (54%) |
| No. of Grow-out tanks used | 13 | 1,505 | (99%) |
| | <u>1,306</u> | <u>4,288</u> | (70%) |

Most of the grow-out abalones had been sold in Q4 2014 in view of its quality issues, cost cutting and lack of price competitiveness.

The Company has recognized value for those juvenile abalones bred in Q4 2014 that have been grown up to above 2cm in sizes at fair value less cost to sell. The management intends to keep the abalones to grow to bigger sizes to fetch good prices at sales in coming peak season in Q4 2015.

The freed up tanks will be used for leasing, other joint ventures such as prawn and fish farming.

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) % |
|--|----------------------|----------------------|-------------------------------|----------------------|----------------------|-------------------------------|
| | 30/6/2015 RMB'000 | 30/6/2014 RMB'000 | | 30/6/2015 RMB'000 | 30/6/2014 RMB'000 | |
| External sales | 891 | 829 | 7% | 891 | 948 | -6% |
| Gain/(Loss) on fair value of biological assets | 7,553 | (14,936) | NM | 7,588 | (2,430) | NM |
| Other operating income | 1,658 | 134 | >100% | 1,660 | 289 | >100% |
| Feed used | (211) | (4,375) | 95% | (412) | (8,783) | 95% |
| Electricity and fuel | (506) | (2,459) | 79% | (1,212) | (5,931) | 80% |
| Staff costs | (914) | (2,903) | 69% | (1,653) | (5,836) | 72% |
| Depreciation | (15,802) | (16,160) | 2% | (31,613) | (32,194) | 2% |
| Foreign exchange | 7,025 | 1,728 | >100% | 17,261 | (2,345) | NM |
| Other operating expenses | (697) | (4,292) | 84% | (1,347) | (6,249) | 78% |
| Net loss before tax | (1,894) | (43,263) | 96% | (9,728) | (63,479) | 85% |

Sales for Live marine products in 6M 2015 were RMB891K representing a 6% lower compare to 6M 2014.

Increase in other operating income was mainly attributable to discount received from trade supplier and scrap sales in Q2 2015.

Direct Production Costs refer to Feed, Electricity and Staff costs. Direct Production Cost for 6M 2015 of RMB3.2 million is RMB17.2 million or 84% lower than that in same period last year. The decrease was a result of continuing cost cutting measures implemented by the management by consolidating operations into 3 farms in same location for better management and decreasing in grow-out abalone population.

Other operating expenses of RMB1.3 million which is 78% lower compared to last year. This comprised mainly security fee and professional fee amounting to RMB0.4 million and RMB0.3 million respectively.

GROUP OPERATING ITEMS

Other operating income

Other operating income comprising mainly discount received from trade suppliers and scrap sales.

(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 RMB28 million from RMB467 million as at 31 December 2014 to RMB439 million as at 30 June 2015. The decrease is mainly due to the depreciation charge, the decrease was offset against the gain on fair value to the biological assets.

Total current liabilities increased by RMB42 million from RMB567 million as at 31 December 2014 to RMB609 million as at 30 June 2015. The net increase was mainly due to the followings:

- i) Convertible loan notional interest charge of RMB20.4 million in 6M2015;
- ii) Increase in interest payables arising from convertible loans and investor loans of RMB9.8 million; and
- iii) Additional loans received from investor amounting to RMB7.3 million during the 6M2015.

The increase was offset against the net repayment of other payables amounting to RMB4.4 million and decrease in derivative liabilities of RMB3.6 million.

Non-current liabilities decrease by RMB180K in deferred tax liabilities was due to the foreign exchange differences.

Total equity decrease by RMB70.2 million to – RMB175.8 million as of 30 June 2015 was due to 6M 2015 losses, offset against the increase in currency translation reserve.

REVIEW OF CASH FLOW STATEMENT

The Group generated a negative cash flow of RMB3.9 million for the 6 months ended 30 June 2015. In this quarter, the Group has received RMB5.4 million loans. This amount was 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 slowing of the Chinese economy further aggravated the market that was trying to recover from the government austerity drive. This may impact consumption of the luxury market segment, which include the abalone industry, negatively. While prices have remained stable in recent months, there is now greater uncertainty.

The Company faced numerous financial challenges in implementing its operation strategies due to delayed funding as a result of a protracted Restructuring Exercise. Certain key stakeholders have intermittently extended loans to the Company to keep operations going until the Restructuring Exercise is completed, Operation costs are kept low, with the focus on breeding juveniles for sale and renting of un-utilised farming assets while continuing to pursue its strategy of seeking technology partners and possible M&A to diversify its farming activities.

The Chinese government has also earmarked Gulei peninsula for industrial and residential developments, and our farms in Gulei region are affected by the government master plan. We expect discussions on farm compensation and payout within the next 12 months.

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/recommendeded, 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 had fully utilized the nets proceeds of S\$28,250,000 raised from Rights Issue as of 30 June 2014 as disclosed in the Company's Unaudited Second Quarter Financial Statements and Announcement for the 6 months ended 30 June 2014, as announced on SGX-NET on 8 August 2014.

15. 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 2015 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Ng Cher Yew
Executive Chairman
13 August 2015