



31 Harrison Road
 #11-03/04 Food Empire Building
 Singapore 369649
 Tel: +65 6285 0500
 Fax: +65 6280 0822
 (Incorporated in the Republic of Singapore under Registration Number: 199805793D)

UNAUDITED THIRD QUARTER FINANCIAL STATEMENTS AND ANNOUNCEMENT FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2016 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) % | 9 months ended | | Favourable /(Adverse) % |
|--|---------------------|---------------------|-------------------------------|---------------------|---------------------|-------------------------------|
| | 09/30/16 RMB'000 | 09/30/15 RMB'000 | | 09/30/16 RMB'000 | 09/30/15 RMB'000 | |
| Sales of aquaculture products | | | | | | |
| Sales of live marine products | 317 | - | 100.0 | 5,492 | 891 | >100.0 |
| Sales of processed marine products | - | - | 100.0 | 410 | 163 | >100.0 |
| | 317 | - | 100.0 | 5,902 | 1,054 | >100.0 |
| Continuing operations | | | | | | |
| Gain arising from changes in fair value less cost to sell of biological assets | 448 | (1,916) | NM | 3,319 | 5,672 | (41.5) |
| Sales of processed marine products | - | - | - | 410 | 163 | >100.0 |
| | 448 | (1,916) | NM | 3,729 | 5,835 | (36.1) |
| Other operating income | 365 | 660 | (44.7) | 1,214 | 2,361 | (48.6) |
| * Cost of sales | 14 | (4) | NM | (592) | (122) | (>100.0) |
| * Feed used | (79) | (225) | 64.9 | (167) | (637) | 73.8 |
| * Electricity, fuel and water | (187) | (503) | 62.8 | (463) | (1,715) | 73.0 |
| * Staff costs | (1,648) | (2,375) | 30.6 | (5,084) | (7,674) | 33.8 |
| Foreign currency gain/(loss) | 1,920 | (27,461) | NM | 3,348 | (24,591) | NM |
| Provision of redemption premium | - | (23,623) | 100.0 | - | (23,623) | 100.0 |
| * Other operating expenses | (861) | (2,848) | 69.8 | (6,201) | (7,074) | 12.3 |
| Depreciation | (14,169) | (15,778) | 10.2 | (42,794) | (47,391) | 9.7 |
| Finance costs | (15,009) | 29,469 | NM | (44,191) | (10,168) | (>100.0) |
| Loss before income tax | (29,206) | (44,604) | 34.5 | (91,201) | (114,799) | 20.6 |
| Income tax | - | - | - | - | - | - |
| Loss for the year from continuing operations | (29,206) | (44,604) | 34.5 | (91,201) | (114,799) | 20.6 |
| Discontinued operations | | | | | | |
| Profit for the year from discontinued operations | (167) | (11) | (>100.0) | (926) | 68 | NM |
| Loss for the period | (29,373) | (44,615) | 34.2 | (92,127) | (114,731) | 19.7 |

NM: Not meaningful

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

| | 3 months ended | | Favourable / (Adverse) | 9 months ended | | Favourable / (Adverse) |
|---|---------------------|---------------------|---------------------------|---------------------|---------------------|---------------------------|
| | 09/30/16 RMB'000 | 09/30/15 RMB'000 | % | 09/30/16 RMB'000 | 09/30/15 RMB'000 | % |
| <u>Continuing operations</u> | | | | | | |
| Interest income | - | - | - | (1) | (1) | - |
| Interest expense | | | | | | |
| (i) Coupon rate 5% | 4,476 | 3,653 | (22.5) | 14,578 | 10,881 | (34.0) |
| (ii) Notional interest | 9,847 | (34,481) | NM | 27,587 | (4,636) | NM |
| (iii) Loan interest | - | 670 | 100.0 | - | 1,961 | 100.0 |
| (iv) Withholding tax | 685 | 643 | (6.6) | 2,027 | 1,916 | (5.8) |
| (v) Others | - | 46 | 100.0 | - | 46 | 100.0 |
| Depreciation of property, plant and equipment | 14,169 | 15,778 | 10.2 | 42,794 | 47,391 | 9.7 |
| Amortisation of prepaid leases | 122 | 122 | - | 368 | 367 | (0.3) |
| Gain on disposal of property, plant and equipment | - | (284) | (100.0) | - | (284) | (100.0) |
| Operating lease expenses | 146 | 567 | 74.3 | 438 | 1,384 | 68.4 |
| Foreign exchange (gain)/loss | (1,920) | 27,461 | NM | (3,348) | 24,591 | NM |
| <u>Discontinued operations</u> | | | | | | |
| Foreign exchange (gain)/loss | - | 8 | 100.0 | 844 | (95) | NM |

NM: 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>9 months ended</u> | |
|---|------------------------|-----------------------|-------------------------|------------------------|
| | <u>09/30/16</u> | <u>09/30/15</u> | <u>09/30/16</u> | <u>09/30/15</u> |
| | <u>RMB'000</u> | <u>RMB'000</u> | <u>RMB'000</u> | <u>RMB'000</u> |
| Loss for the period | (29,373) | (44,615) | (92,127) | (114,731) |
| Other comprehensive income | | | | |
| Exchange differences on translation of foreign operations | <u>2,455</u> | <u>34,926</u> | <u>(36,067)</u> | <u>35,091</u> |
| Total comprehensive income for the period | <u>(26,918)</u> | <u>(9,689)</u> | <u>(128,194)</u> | <u>(79,640)</u> |
| Attributable to: | | | | |
| Equity holders of the Company | <u><u>(26,918)</u></u> | <u><u>(9,689)</u></u> | <u><u>(128,194)</u></u> | <u><u>(79,640)</u></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 | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 30/9/2016 RMB'000 | 31/12/2015 RMB'000 | 30/9/2016 RMB'000 | 31/12/2015 RMB'000 |
| ASSETS | | | | |
| <u>Current assets</u> | | | | |
| Cash and bank balances | 6,619 | 2,208 | 816 | 147 |
| Trade receivables | 10 | 73 | - | - |
| Other receivables | 1,805 | 993 | 19,910 | 14,645 |
| Inventories | 74 | 110 | - | - |
| Biological assets | 419 | 2,418 | - | - |
| | <u>8,927</u> | <u>5,802</u> | <u>20,726</u> | <u>14,792</u> |
| <u>Non-current assets</u> | | | | |
| Property, plant and equipment | 155,908 | 198,697 | - | - |
| Prepaid leases | 7,133 | 7,501 | - | - |
| Investment in subsidiaries | - | - | 262,129 | 262,129 |
| | <u>163,041</u> | <u>206,198</u> | <u>262,129</u> | <u>262,129</u> |
| Total assets | <u>171,968</u> | <u>212,000</u> | <u>282,855</u> | <u>276,921</u> |
| LIABILITIES AND EQUITY | | | | |
| <u>Current liabilities</u> | | | | |
| Trade payables | 11,249 | 10,993 | - | - |
| Other payables | 108,091 | 82,697 | 76,602 | 53,827 |
| Loans and borrowings | - | 2,816 | - | 2,816 |
| Current tax payable | 23,948 | 23,948 | - | - |
| Convertible loan | 282,053 | 239,647 | 282,053 | 239,647 |
| Derivative liabilities | 173,950 | 163,258 | 173,950 | 163,258 |
| | <u>599,291</u> | <u>523,359</u> | <u>532,605</u> | <u>459,548</u> |
| <u>Non-current liabilities</u> | | | | |
| Convertible loan | 34,615 | 28,007 | 34,615 | 28,007 |
| Loans and borrowings | 5,376 | - | 5,376 | - |
| Derivative liabilities | 1,964 | 1,844 | 1,964 | 1,844 |
| Deferred tax liabilities | 2,043 | 1,917 | 2,043 | 1,917 |
| | <u>43,998</u> | <u>31,768</u> | <u>43,998</u> | <u>31,768</u> |
| Total liabilities | <u>643,289</u> | <u>555,127</u> | <u>576,603</u> | <u>491,316</u> |
| <u>Capital and reserves</u> | | | | |
| Share capital | 2,413,255 | 2,413,255 | 2,413,255 | 2,413,255 |
| Capital reserve | (1,137,504) | (1,137,504) | 11,229 | 11,229 |
| Currency translation reserve | 22,984 | 59,051 | (3,577) | 29,186 |
| Warrant reserve | 162,066 | 162,066 | 162,066 | 162,066 |
| Statutory reserve | 39,262 | 39,262 | - | - |
| Accumulated losses | (1,971,384) | (1,879,257) | (2,876,721) | (2,830,131) |
| Equity attributable to equity holders of the Company | <u>(471,321)</u> | <u>(343,127)</u> | <u>(293,748)</u> | <u>(214,395)</u> |
| Total liabilities and equity | <u>171,968</u> | <u>212,000</u> | <u>282,855</u> | <u>276,921</u> |

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

Group

| | 09/30/16 | | 12/31/2015 | |
|---|----------------|--------------|----------------|--------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | Secured | Unsecured | Secured | Unsecured |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Amount payable in one year or less, or demand | - | - | - | 2,816 |
| Amount repayable in one year or less | 282,053 | - | 239,647 | - |
| Amount repayable after one year | 34,615 | 5,376 | 28,007 | - |
| | <u>316,668</u> | <u>5,376</u> | <u>267,654</u> | <u>2,816</u> |

Details of any collateral

Secured loans

The loans amounting to approximately RMB322 million mainly relates to a restructuring exercise which was completed on 2 September 2015. The convertible loans are secured by the creation of charges over specify Company assets. (Kindly refer to Company's circular dated 6 May 2015) for more details of these security charges.

The Company has on 3 September 2015 issued an aggregate of 2,971,069,187 Restructuring Warrants and 647,237,779 New Warrants and on 26 October 2015, issued a further 107,692,308 New Warrants.

The restructured convertible loan ("RCL") was classified as current liabilities as they will expire on 31 December 2016.

Notwithstanding the expiry date of 31 December 2016, the Company had announced on 8th September 2016 that it had entered into a binding term sheet with two of three key creditors, in relation to a propose debt restructuring of the RCL. In the term sheet, these two key creditors have also agreed to extend the expiry date of the RCL to 31 December 2018. In addition, they have also agreed that interest will cease to accrue on and from 1 July 2016, upon completion of the proposed restructuring exercise

The convertible loan arising from new warrants issued to the Company's third key creditor was classified as non-current as the loan has a term of five (5) years commencing from the 1st drawdown date of 3 September 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 | | 9 months ended | |
| | 9/30/2016 RMB'000 | 9/30/2015 RMB'000 | 9/30/2016 RMB'000 | 9/30/2015 RMB'000 |
| Cash Flows from Operating Activities | | | | |
| Loss before income tax | (29,373) | (44,615) | (92,127) | (114,731) |
| Adjustments for: | | | | |
| Gain (loss) arising from changes in fair value less cost to sell of biological assets | (562) | 1,916 | (3,319) | (5,672) |
| Depreciation of property, plant and equipment | 14,169 | 15,778 | 42,794 | 47,391 |
| (Gain) Loss on disposal of property, plant and equipment | - | (284) | - | (284) |
| Amortisation of prepaid leases | 122 | 122 | 368 | 367 |
| Provision for warrant redemption premium | - | 23,623 | - | 23,623 |
| Interest income | - | - | (1) | (1) |
| Interest expense | 15,007 | (29,469) | 44,191 | 10,168 |
| Net foreign exchange difference | 1,923 | 31,155 | 3,347 | 16,515 |
| Operating cash flows before working capital changes | 1,286 | (1,774) | (4,747) | (22,624) |
| Trade receivables | - | - | 64 | - |
| Other receivables | (1,254) | (671) | (814) | (1,220) |
| Inventories | (1) | 1 | 37 | (116) |
| Biological assets | 143 | (61) | 5,318 | 866 |
| Trade payables | (166) | 260 | 254 | (4,198) |
| Other payables | (4,262) | (2,918) | (1,079) | 10,829 |
| Cash used in/(from) operations | (4,254) | (5,163) | (967) | (16,463) |
| Interest received | - | - | 1 | 1 |
| Income taxes paid | - | (46) | - | (46) |
| Cash flows from/(used in)operating activities | (4,254) | (5,209) | (966) | (16,508) |
| Investing activities | | | | |
| Purchase of property, plant and equipment | - | (113) | - | (113) |
| Proceeds from disposal of property, plant and equipment | - | 1,670 | - | 1,670 |
| Cash flows from investing activities | - | 1,557 | - | 1,557 |
| Financing activities | | | | |
| Proceeds on loan from investors | 5,377 | 3,626 | 5,377 | 10,974 |
| Issuance of new convertible loan | - | 34,597 | - | 34,597 |
| Repayment of loan from investors | - | (34,597) | - | (34,597) |
| Cash flows from financing activities | 5,377 | 3,626 | 5,377 | 10,974 |
| Net increase (decrease) in cash and cash equivalent | 1,123 | (26) | 4,411 | (3,977) |
| Cash and cash equivalent at beginning of the period | 5,496 | 727 | 2,208 | 4,678 |
| Cash and cash equivalents at end of the period | 6,619 | 701 | 6,619 | 701 |

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

| | 9 months ended | |
|------------------------|-----------------------|-----------------------|
| | 09/30/2016 RMB'000 | 09/30/2015 RMB'000 |
| Cash and bank balances | 6,619 | 701 |

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 January 2015 | 2,373,685 | (1,137,504) | 49,191 | 101,651 | 39,262 | (1,746,992) | (320,707) | - | (320,707) |
| Issue of new shares | 39,570 | - | - | - | - | - | 39,570 | - | 39,570 |
| Issue of new warrants | - | - | - | 58,014 | - | - | 58,014 | - | 58,014 |
| Loss for the period | - | - | - | - | - | (114,731) | (114,731) | - | (114,731) |
| Other comprehensive income | | | | | | | | | |
| Foreign currency translation | - | - | 35,091 | - | - | - | 35,091 | - | 35,091 |
| Total comprehensive income/(loss) for the period | - | - | 35,091 | - | - | (114,731) | (79,640) | - | (79,640) |
| Balance at 30 September 2015 | 2,413,255 | (1,137,504) | 84,282 | 159,665 | 39,262 | (1,861,723) | (302,763) | - | (302,763) |
| Balance as at 1 January 2016 | 2,413,255 | (1,137,504) | 59,051 | 162,066 | 39,262 | (1,879,257) | (343,127) | - | (343,127) |
| Loss for the period | - | - | - | - | - | (92,127) | (92,127) | - | (92,127) |
| Other comprehensive income | | | | | | | | | |
| Foreign currency translation | - | - | (36,067) | - | - | - | (36,067) | - | (36,067) |
| Total comprehensive income/(loss) for the period | - | - | (36,067) | - | - | (92,127) | (128,194) | - | (128,194) |
| Balance at 30 September 2016 | 2,413,255 | (1,137,504) | 22,984 | 162,066 | 39,262 | (1,971,384) | (471,321) | - | (471,321) |

| | <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 January 2015 | 2,373,685 | 11,229 | 19,504 | 101,651 | (2,773,386) | (267,317) |
| Issue of new shares | 39,570 | - | - | - | - | 39,570 |
| Issue of new warrants | - | - | - | 58,014 | - | 58,014 |
| Loss for the period | - | - | - | - | (37,429) | (37,429) |
| Other comprehensive income | | | | | | |
| Foreign currency translation | - | - | 24,193 | - | - | 24,193 |
| Total comprehensive income/(loss) for the period | - | - | 24,193 | - | (37,429) | (13,236) |
| Balance as at 30 September 2015 | 2,413,255 | 11,229 | 43,697 | 159,665 | (2,810,815) | (182,969) |
| Balance as at 1 January 2016 | 2,413,255 | 11,229 | 29,186 | 162,066 | (2,830,130) | (214,394) |
| Loss for the period | - | - | - | - | (46,591) | (46,591) |
| Other comprehensive income | | | | | | |
| Foreign currency translation | - | - | (32,763) | - | - | (32,763) |
| Total comprehensive income/(loss) for the period | - | - | (32,763) | - | (46,591) | (79,354) |
| Balance at 30 September 2016 | 2,413,255 | 11,229 | (3,577) | 162,066 | (2,876,721) | (293,748) |

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 September 2016, there were 3,725,999,274 outstanding warrants. If all the outstanding warrants were converted to shares, there will be 8,292,852,106 shares issued.

The Company did not have any treasury shares as at 30 September 2016.

(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 September 2016 is 4,566,852,832 shares (31 December 2015: 4,566,852,832 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 2014.

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 | | 9 months ended | |
|--|----------------|---------------|----------------|---------------|
| | 9/30/2016 | 9/30/2015 | 9/30/2016 | 9/30/2015 |
| a) EPS based on weighted average number of shares (RMB cents/ share) | (0.64) | (1.23) | (2.07) | (3.15) |
| b) EPS based on fully diluted basis (RMB cents/ share) | (0.64) | (1.23) | (2.07) | (3.15) |
| Weighted average number of shares applicable to earnings per share | 4,566,852,832 | 3,648,038,409 | 4,566,852,832 | 3,640,486,509 |
| Weighted average number of shares fully diluted basis | 4,566,852,832 | 3,648,038,409 | 4,566,852,832 | 3,640,486,509 |

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 | |
|--|-----------|------------|-----------|------------|
| | 9/30/2016 | 12/31/2015 | 9/30/2016 | 12/31/2015 |
| Net asset value per ordinary share based on issued share capital as at end of the period (RMB cents/share) | (10.32) | (3.05) | (6.43) | 7.59 |

Net asset value for the Group and the Company as at 30 September 2016 and 31 December 2015 are computed based on 4,566,852,832 at the end of the financial period under review.

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's 3Q 2016 Adjusted EBITDA* is a loss of RMB2.0 million.

| In RMB'000 | Q3/2016 | Q2/2016 | Q1/2016 | Q4/2015 |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| Net loss | (29,373) | (48,616) | (14,138) | (21,841) |
| Add/(deduct) | | | | |
| Income tax | - | - | - | - |
| Depreciation | 14,169 | 14,265 | 14,360 | 14,433 |
| Amortisation of prepaid lease | 122 | 123 | 123 | 123 |
| Interest expense | 15,009 | 15,327 | 13,855 | 18,605 |
| EBITDA | (73) | (18,901) | 14,200 | 11,320 |
| Foreign exchange (gain)/loss | (1,920) | 13,962 | (15,390) | (17,715) |
| Adjusted EBITDA | (1,993) | (4,939) | (1,190) | (6,395) |

* 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.

The Group report a YTD ("9M 2016") loss of RMB92.1 million, against a loss of RMB114.7 million recorded in the corresponding period of the preceding financial year ("9M 2015"), a reduction of RMB22.6 million (or 19.7%).

This is mainly due to:

- (1) A reduction in expenses, in the absence of a RMB23.6 million provision for redemption of a premium expense recorded in the corresponding period last year subsequent to the completion of the restructuring exercise;
- (2) A forex gain of RMB3.3 million this year against a forex loss of RMB25.0 million in the corresponding period last year;
- (3) Reduction in staff costs to RMB5.0 million from RMB7.7 million mainly due to reduction in local staff strength.

Offset by:

- (4) An increase in interest expense due to an absence of a RMB34.5 million reversal of notional interest in the corresponding period upon completion of the restructuring exercise.

The Group generated revenue amounting to about RMB5.9 million, almost 6 times higher than the RMB1.0 million generated in the same period last year.

After deduction of non-cash items such as depreciation, amortisation, interest expense and unrealised exchange gain/loss, the Group derived a negative EBITA of RMB2.0 million for Q3 2016, an improvement compared to a negative EBITA of RMB7.0 million for the same quarter last year.

The favourable variance of about RMB 5.0 million was mainly due to the following:

- (1) A RMB3.2 million reduction in production cost to about RMB2.8 million in Q3 2016, down from RMB5.9 million in Q3 2015;
- (2) A gain arising from a change in fair value of biological assets of RMB0.5 million in Q3 2016 compared to a loss from a change in fair value of biological assets of RMB1.9 million in Q3 2015.

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

Live Marine Products

| | 3 months ended | | Favourable /(Adverse) % | 9 months ended | | Favourable /(Adverse) % |
|------------------------------|----------------------|----------------------|-------------------------------|----------------------|----------------------|-------------------------------|
| | 30/9/2016 RMB'000 | 30/9/2015 RMB'000 | | 30/9/2016 RMB'000 | 30/9/2015 RMB'000 | |
| External sales | 317 | 891 | (64.4) | 5,492 | 891 | >100% |
| (Loss)/Gain on fair value | 448 | (1,916) | NM | 3,319 | 5,672 | (41.5) |
| Other operating income | 139 | 660 | (78.9) | 865 | 2,320 | (62.7) |
| Feed used | (79) | (225) | 64.9 | (167) | (637) | 73.8 |
| Electricity and fuel | (187) | (503) | 62.8 | (463) | (1,715) | 73.0 |
| Staff costs | (630) | (734) | 14.2 | (1,828) | (2,387) | 23.4 |
| Depreciation | (14,169) | (15,778) | 10.2 | (42,794) | (47,391) | 9.7 |
| Foreign exchange gain/(loss) | (15,661) | 5,443 | NM | (31,415) | 22,704 | NM |
| Other operating expenses | (1,388) | (486) | (>100) | (2,383) | (1,833) | (30.0) |
| Finance cost | - | (46) | 100.0 | - | (46) | 100.0 |
| Net loss before tax | (31,527) | (13,585) | (>100) | (74,866) | (23,313) | (>100) |

Sales for live marine products in 9M 2016 amounted to RMB 5.5 million, about 6 times higher than the RMB1.0 million recorded in the same period last year.

For 9M 2016, other operating income amounted to RMB 0.86 million, almost 63% lower than RMB 2.3 million in 9M 2015, due to the absence of a one-time gain recorded last year on scrap disposal.

Net loss for live marine products increased to RMB 74.9 million in 9M 2016 from RMB 23.3 million, mainly due to foreign exchange loss of RMB 31.4 million, arising from a Singapore-dollar denominated loan obtained from its immediate holding company. This is in contrast to an exchange gain of RMB22.7 million for the same period last year. The fluctuation is due to the weakening of the RMB against the Singapore Dollar during the financial period under review.

Direct production costs (referring to feed used, electricity and fuel, and staff costs) for 9M 2016 amounted to RMB 2.5 million, a 48% or RMB 2.3 million decline from RMB 4.7 million during the same period last year.

Other operating expenses of approximately RMB 2.4 million consists mainly of repair and maintenance amounting to about RMB0.3 million, professional fees relating to audit and valuation fees amounting to RMB 0.2 million and security fees amounting to about RMB 1.0 million.

The increase in other operating expenses of RMB 0.5 million, or 30%, is mainly attributed by an increase in security fees to about RMB1.0 million for the 9M 2016 period from about RMB 0.5 million in the corresponding period last year.

GROUP OPERATING ITEMS

Other operating income

Other operating income comprises mainly of discounts received from trade suppliers, scrap sales and rental income earned from the rental of farms to local farmers.

(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 RMB40.0 million to RMB172.0 million as at 30 September 2016 from RMB212.0 million as at 31 December 2015. The decrease is mainly attributed to a depreciation charge of RMB43.0 million, partially offset by an increase of cash and bank balances of RMB 4.4 million as a result of interim funding received during Q3 2016.

Total current liabilities increased by RMB75.9 million to RMB599.3 million as at 30 September 2016 from RMB523.4 million as at 31 December 2015. The increase was mainly due to:

- (1) Increase in derivatives liabilities of RMB10 million due to effects of exchange difference; and
- (2) Increase in convertible loans of RMB42.4 million due to notional interest of RMB25.8 million for the period 9M2016 and effects of exchange differences of RMB 16.6 million.
- (3) Increase in other payables of RMB 25.4 million mainly due to convertible loan interest of RMB 16.6 million and increase in payables of RMB 5.1 million mainly due to increase in professional fees accrued, as well as effects of exchange difference.

Non-current liabilities increased from RMB31.8 million as at 31 December 2015 from RMB 43.9 million as at 30 September 2016 mainly due to:

- (1) Interim funding amounting to RMB5.4 million received from valued investors
- (2) Reclassification of loans from financing shareholders of RMB2.9 million from current liabilities at 31 December 2015 to non-current as at the end of this reporting period.
- (3) Non-current notional interest recognised of RMB 1.9 million for the period 9M2016; as well as effects of exchange differences.

Total equity decreased from a debit balance of RMB343 million at 31 December 2015 to a debit balance of RMB471 million as at 30 September 2016. The decrease was due to 9M 2016 losses and reduction in currency translation reserves of RMB92 million and RMB 36 million, respectively.

REVIEW OF CASH FLOW STATEMENT

The Group generated a positive cash flow of RMB 4.4 million for the 9 months ended 30 September 2016. This is mainly attributed by interim funding received from new investors during Q3 2016 amounting to RMB 5.4 million.

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.

Amidst a macro-economic slowdown and challenging operating environment, the Group continues to pursue and execute the turnaround strategies elaborated in a letter to shareholders released on January 25, 2016, such as collaborating instead of competing with sea farmers to reduce cost and operating risk, as well as downstream diversification to the retailing of halal-certified, Australia-processed, MSG and preservatives-free premium canned abalones. The Group expects to launch the e-retail website of its consumer abalones by early next year.

The Group had also on September 8, 2016 announced that two of three key creditors have entered into a binding term sheet to convert S\$54.2 million of outstanding debts into Oceanus shares, in relation to the Group's debt restructuring exercise. Pending the cooperation of a remaining key creditor, and upon the completion of the debt restructuring exercise, Oceanus expects its balance sheet to improve significantly. As at the date of this announcement, a total of S\$1,500,000 worth of interim funding had been received from value investors. The proceeds will help fund the Group in the areas of spawning and growing of abalone juvenile abalones, as well as for audit, AGM and operating expenses.

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.

No dividend has been declared in respect of the current financial period.

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 9 months ended 30 September 2016 to be false or misleading in any material respect.

16. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1) of the SGX-ST Listing Manual

The Company confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1) of the SGX-ST Listing Manual.

BY ORDER OF THE BOARD

Peter Koh Heng Kang,^{PBM}
Executive Director and Chief Executive Officer

11 November 2016