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UNAUDITED THIRD QUARTER FINANCIAL STATEMENTS AND ANNOUNCEMENT FOR THE 9 MONTHS ENDED 30 SEPTEMBER 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.

		Restated			Restated	
Sales of aquaculture products						
Sales of live marine products	**486**	**3,117**	(84)	**1,434**	**17,427**	(92)
Continuing operations						
(Loss)/Gain arising from changes in fair value less cost to sell of biological assets	(6,008)	(24,913)	76	(8,438)	(22,683)	(63)
Other operating income	155	495	(69)	449	5,537	(92)
Feed used	(1,752)	(9,577)	82	(10,535)	(31,086)	66
Electricity,fuel and water	(4,091)	(5,325)	23	(10,022)	(20,073)	50
Staff costs	(4,825)	(9,413)	49	(14,088)	(29,558)	52
Foreign currency gain/(loss)	(10,839)	(847)	>(100)	3,656	(352)	NM
Other operating expenses	(6,860)	(33,126)	79	(16,671)	(43,146)	61
Depreciation	(16,302)	(19,266)	15	(48,496)	(58,375)	17
Finance costs	(19,667)	(2,270)	>(100)	(57,017)	(33,208)	(72)
Loss before income tax	(70,189)	(104,242)	33	(161,162)	(232,944)	31
Income tax	(1)	-	NM	(49)	-	NM
Loss for the year from continuing operations	**(70,190)**	**(104,242)**	33	**(161,211)**	**(232,944)**	31
Discontinued operations						
Profit for the year from discountinued operations	(459)	(677)	32	21,353	6,139	>100
Loss for the year	**(70,649)**	**(104,919)**	33	**(139,858)**	**(226,805)**	38
EBITDA*	**(34,680)**	**(83,383)**	58	**(34,296)**	**(135,222)**	75

"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 /(Adverse)	9 months ended		Favourable /(Adverse)
	2014-09-30 RMB'000	2013-09-30 RMB'000 Restated	%	2014-09-30 RMB'000	2013-09-30 RMB'000 Restated	%
Continuing operations						
Interest income	-	1	(100)	(1)	(2)	(50)
Interest expense						
(i) Coupon rate 5%	3,999	3,948	(1)	12,624	11,887	(6)
(ii) Notional interest	15,017	(2,283)	NM	42,519	19,020	>(100)
(iii) loan interest	364	187	(95)	656	1,028	36
(iv) Witholding tax	287	418	31	1,218	1,273	4
Depreciation of property, plant and equipment	16,302	19,266	15	48,496	58,375	17
Amortisation of prepaid leases	153	163	6	480	486	1
Operating lease expenses	546	579	6	1,409	1,580	11
Impairment on property, plant and equipment	-	17,838	100	-	17,838	100
Reversal of allowance for doubtful debts	(153)	-	100	(153)	-	100
Foreign exchange (gain)/loss	10,839	847	>(100)	(3,656)	352	NM
Discontinued operations						
Loan interest	-	168	100	-	370	100
Gain on disposal of plant and equipment	404	-	(100)	(19,588)	(897)	>100
(Gain)/loss on disposal of prepaid lease	1,338	-	(100)	(2,870)	897	NM
Reversal of allowance for doubtful debts	-	-	NM	-	(4,413)	(100)
Foreign exchange (gain)/loss	(1,566)	1,433	NM	1,088	(2,936)	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.

	3 months ended		9 months ended	
	2014-09-30	2013-09-30	2014-09-30	2013-09-30
	RMB'000	RMB'000 Restated	RMB'000	RMB'000 Restated
Loss for the period	(70,649)	(104,919)	(139,858)	(226,805)
Other comprehensive income				
Exchange differences on translation of foreign operations	19,471	335	(3,033)	15,522
Total comprehensive income for the period	**(51,178)**	**(104,584)**	**(142,891)**	**(211,283)**
Attributable to:				
Equity holders of the Company	(51,178)	(104,584)	(142,891)	(211,283)

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	
	2014-09-30	2013-12-31	2014-09-30	2013-12-31
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Current assets				
Cash and bank balances	3,456	5,531	87	3,119
Trade receivables	-	5	-	-
Other receivables	12,895	17,041	18,096	-
Biological assets	10,035	19,906	-	-
	26,386	42,483	18,183	3,119
Non-current assets				
Property, plant and equipment	462,226	510,557	-	-
Prepaid leases	14,018	14,498	-	-
Investment in subsidiaries	-	-	795,000	795,000
	476,244	525,055	795,000	795,000
Total assets	**502,630**	**567,538**	**813,183**	**798,119**
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables	21,890	16,347	-	-
Other payables	84,847	73,930	50,692	32,025
Loans and borrowings	29,453	12,016	28,453	11,016
Current tax payable	23,948	23,948	-	-
Convertible loan	298,568	-	298,568	-
Derivative liabilities	123,334	-	123,334	-
	582,040	126,241	501,047	43,041
Non-current liabilities				
Convertible loan	-	254,746	-	254,746
Derivative liabilities	-	123,082	-	123,082
Deferred tax liabilities	6,053	6,041	6,053	6,041
	6,053	383,869	6,053	383,869
Total liabilities	588,093	510,110	507,100	426,910
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	24,709	27,742	(748)	(712)
Warrant reserve	101,651	101,651	101,651	101,651
Statutory reserve	39,262	39,262	-	-
Accumulated losses	(1,487,266)	(1,347,408)	(2,179,734)	(2,114,644)
Equity attributable to equity holders of the Company	(85,463)	57,428	306,083	371,209
Total liabilities and equity	**502,630**	**567,538**	**813,183**	**798,119**

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

	Group			
	As at 30 September 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	-	29,453	-	12,016
Amount repayable in one year or less	-	298,568	-	-
Amount repayable after one year	-	-	-	254,746
Total	-	**328,021**	-	**266,762**

Details of any collateral

The Unsecured amount repayable in one year or less of RMB298 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 has been classified as current liabilities as they will expire on 13 July 2015 for the period under review. 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		9 months ended	
	2014-09-30	2013-09-30	2014-09-30	2013-09-30
	RMB'000	RMB'000	RMB'000	RMB'000
Cash Flows from Operating Activities				
Loss before income tax	(70,649)	(104,919)	(139,809)	(226,805)
Adjustments for:				
Gain arising from changes in fair value less cost to sell of biological assets	6,008	24,913	8,438	22,683
Depreciation of property, plant and equipment	16,302	19,266	48,496	58,375
Gain on disposal of property, plant and equipment	404	-	(19,588)	(897)
Impairment loss on property, plant and equipment	-	17,838	-	17,838
(Gain) Loss on disposal of prepaid lease	1,338	-	(2,870)	897
Reversal of allowance for doubtful debts	(153)	-	(153)	(4,413)
Interest income	-	1	(1)	(2)
Interest expense	19,667	2,439	57,017	33,579
Amortisation of prepaid leases	153	163	480	486
Net foreign exchange difference	10,421	(836)	(1,609)	(3,130)
Operating cash flows before working capital changes	(16,509)	(41,135)	(49,599)	(101,389)
Trade receivables	153	5,468	158	4,756
Other receivables	1,513	189	11,454	7,370
Inventories	-	(79)	-	7,639
Biological assets	484	3,116	1,433	12,600
Trade payables	(638)	(9,096)	5,543	(8,971)
Other payables	784	(44,279)	3,669	(26,420)
Cash used in operations	(14,213)	(85,816)	(27,342)	(104,415)
Interest received	-	(1)	1	2
Interest paid	-	2,550	-	(1,397)
Income taxes paid	(1)	(148)	(49)	(148)
Cash flows used in from operating activities	(14,214)	(83,415)	(27,390)	(105,958)
Investing activities				
Purchase of property, plant and equipment	-	(13,989)	-	(14,560)
Proceeds from disposal of property, plant and equipment	-	6,825	7,900	6,825
Proceeds from disposal of prepaid lease	-	-	-	7,647
Cash flows used in investing activities	-	(7,164)	7,900	(88)
Financing activities				
Proceeds on right issue	-	142,186	-	142,186
Proceeds on loan from investors	15,443	669	17,415	21,503
Repayment of loan from investors	-	(35,671)	-	(35,671)
Repayment of bank loan	-	(2,241)	-	(9,852)
Cash flows from financing activities	15,443	104,943	17,415	118,166
Net increase (decrease) in cash and cash equivalent	1,229	14,364	(2,075)	12,120
Cash and cash equivalent at beginning of the period	2,227	2,210	5,531	4,454
Cash and cash equivalents at end of the period	3,456	16,574	3,456	16,574

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

	9 months ended	
	30/09/2014	30/09/2013
	RMB'000	RMB'000
Cash and bank balances	**3,456**	**16,574**

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 period	-	-	-	-	-	(226,805)	(226,805)	-	(226,805)
Other comprehensive income									
Foreign currency translation	-	-	15,522	-	-	-	15,522	-	15,522
Total comprehensive income/(loss) for the period	**-**	**-**	**15,522**	**-**	**-**	**(226,805)**	**(211,283)**	**-**	**(211,283)**
Shares issued pursuant to right issue	142,187	-	-	-	-	-	142,187	-	142,187
Exercise of convertible warrant	29,230	-	-	(4,216)	-	-	25,014	-	25,014
Balance as at 30 September 2013	**2,373,685**	**(1,137,504)**	**3,040**	**102,876**	**39,262**	**(1,129,551)**	**251,808**	**-**	**251,808**
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	-	-	-	-	-	(139,858)	(139,858)	-	**(139,858)**
Other comprehensive income									
Foreign currency translation	-	-	(3,033)	-	-	-	(3,033)	-	**(3,033)**
Total comprehensive income/(loss) for the period	**-**	**-**	**(3,033)**	**-**	**-**	**(139,858)**	**(142,891)**	**-**	**(142,891)**
Balance as at 30 September 2014	**2,373,685**	**(1,137,504)**	**24,709**	**101,651**	**39,262**	**(1,487,266)**	**(85,463)**	**-**	**(85,463)**

	Share capital	Capital reserve	Currency translation reserve	Warrant reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Company						
Balance as at 1 Jan 2013	2,202,268	11,229	15,932	107,092	(708,785)	1,627,736
Loss for the period	-	-	-	-	(46,784)	(46,784)
Other comprehensive income						
Foreign currency translation	-	-	(12,539)	-	-	(12,539)
Total comprehensive income/(loss) for the period	**-**	**-**	**(12,539)**	**-**	**(46,784)**	**(59,323)**
Shares issued pursuant to rights issue	142,187	-	-	-	-	142,187
Exercise of convertible warrant	29,230	-	-	(4,216)	-	25,014
Balance as at 30 September 2013	**2,373,685**	**11,229**	**3,393**	**102,876**	**(755,569)**	**1,735,614**
Balance as at 1 Jan 2014	2,373,685	11,229	(712)	101,651	(2,114,644)	371,209
Loss for the period	-	-	-	-	(65,090)	(65,090)
Other comprehensive income						
Foreign currency translation	-	-	(36)	-	-	(36)
Total comprehensive income/(loss) for the period	**-**	**-**	**(36)**	**-**	**(65,090)**	**(65,126)**
Balance as at 30 September 2014	**2,373,685**	**11,229**	**(748)**	**101,651**	**(2,179,734)**	**306,083**

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 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 September 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 September 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		9 months ended	
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
a) EPS based on weighted average number of shares (RMB cents/ share)	(1.94)	(3.03)	(3.84)	(7.85)
b) EPS based on fully diluted basis (RMB cents/ share)	(1.94)	(3.03)	(3.84)	(7.85)
Weighted average number of shares applicable to earnings per share	3,637,941,547	3,461,809,324	3,637,941,547	2,887,427,605
Weighted average number of shares fully diluted basis	3,637,941,547	3,461,809,324	3,637,941,547	2,887,427,605

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	
	30/09/2014	31/12/2013	30/09/2014	31/12/2013
Net asset value per ordinary share based on issued share capital as at end of the period (RMB cents/share)	(2.35)	1.58	8.41	10.20

Net asset value for the Group and the Company as at 30 September 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 mainly caused by the impairment on unutilised farms to date, amounting to RMB55 million and some of non cash items such as depreciation expense and notional interest on convertible loan amounting to RMB48.4 million and RMB42.5 million respectively also resulted the negative net assets for the 9M 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 3Q 2014 Adjusted EBITDA* is a loss of RMB25.3 million.

In RMB'000	Q3/2014	Q2/2014	Q1/2014	Q4/2013
Net loss	(70,649)	(52,071)	(17,138)	(217,857)
Add/(deduct)				
Income tax	1	-	48	(17,866)
Depreciation	16,302	16,160	16,034	20,481
Amortisation of prepaid lease	153	168	159	172
Interest expense	19,667	26,378	10,972	23,339
EBITDA	**(34,526)**	**(9,365)**	**10,075**	**(191,731)**
Allowance for doubtful trade receivables	-	-	-	1,016
Foreign exchange (gain)/loss	9,273	(2,648)	(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	**(25,253)**	**(12,013)**	**882**	**(13,975)**

**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 RMB2.6 million or 84% from RMB3.1 million in 3Q 2013 to RMB0.5 million in 3Q 2014. Abalone prices remained weak in this quarter reflecting the sustained impact of frugality measures imposed by the China government. Abalone, similar to many other high end consumer products including liquor were, affected by the frugality drive.

The Group reported an YTD loss of RMB139.8 million against loss of RMB226.8 million for the same period last year. The favorable variance of RMB87 million was mainly due to:

(1) Loss arising from changes in fair value of biological assets reduced by RMB14.2 million. In the same quarter last year, biological assets experienced unusual high mortality due to Typhoon Usagi (non recurring event) which hit some of the farms areas.

(2) Direct Production Costs refer to Feed, Electricity and Staff costs. Direct Production Cost for the 9 months ended 30 September 2014 amounted to RMB34.6 million. This is RMB46.1 million or 57% lower as compared to the same period last year. Whilst the decrease appears to be directly due to a lower abalone population of 40%, it is also encouraging to note that reduction is 57% is in fact, a more than proportionate reduction of cost compared to reduction in abalone population. This reflects positive results from the operations optimisation measures implemented by the new management.

(3) Other operating income for the 9 months ended 30 September 2014 comprising gain on disposal of assets amounted to RMB22.5 million classified under discontinued operations segment.

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

Live Marine Products

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

I. Total Population (figures expressed in Thousands)

Sizes:	Total	
	Unit '000	RMB'000
Large Size (5.8-8.2cm)	677	1,574
Medium Size (3.8-5.7cm)	8,031	6,445
Smaller Size (2.0-3.7cm)	6,717	2,016
Uncaged (Approximate)	3,000	-
	18,425	**10,035**

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

II. Caged Abalone Population (in '000 units)	**3Q 2014**	**3Q 2013**	**Favourable /(Adverse)**
- Larger sizes (5.8cm and above)	677	2,367	(71%)
- Medium sizes (3.8-5.7cm)	8,031	11,841	(32%)
- Smaller sizes	6,717	11,567	(42%)
Total Abalones	15,425	25,775	(40%)
III. Tanks Utilized			
No. of Juvenile tanks used	305	7,610	(96%)
No. of Grow-out tanks used	2,283	2,115	8%
	2,588	9,725	(73%)

Caged population for Q3 2014 decreased by 40% as compared to Q3 2013. This is a result of the optimization of tank usage and as well as optimization of costs efficiency by selling off laggards and slow growing abalones, as well as mortality during the year.

The remaining uncaged population is kept in juvenile tanks and carried at zero value. The number of juvenile tanks reduced significantly by 96% compared to same period last year. However, it is a standard annual routine of the company, at this time of the year to start culling juveniles for Q3 2014 caging or Q4 2014 sales.

The tanks made available from the culling, will not only free up resources to prepare for the upcoming annual spawning exercise scheduled to take place in October 2014 to but will also ensure optimization of cost efficiency.

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

Live Marine Products (cont'd)

	3 months ended		Favourable	9 months ended		Favourable
	30/9/2014	30/9/2013	/(Adverse)	30/9/2014	30/9/2013	/(Adverse)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
External sales	486	3,117	-84%	1,434	17,427	-92%
(Loss)/Gain on fair value	(6,008)	(24,913)	76%	(8,438)	(22,683)	63%
Other operating income	155	495	-69%	444	5,537	-92%
Feed used	(1,752)	(9,577)	82%	(10,535)	(31,086)	66%
Electricity and fuel	(4,091)	(5,442)	25%	(10,022)	(20,053)	50%
Staff costs	(3,237)	(7,955)	59%	(9,073)	(24,584)	63%
Depreciation	(16,302)	(19,232)	15%	(48,496)	(58,271)	17%
Foreign exchange	9,922	2,326	>100%	7,577	16,174	-53%
Impairment loss on property, plant and equipment	-	(17,838)	100%	-	(17,838)	100%
Other operating expenses	(1,931)	(6,339)	70%	(8,180)	(10,430)	22%
Net loss before tax	(23,244)	(88,475)		(86,723)	(163,234)	

Sales for Live marine products for the 9 months ended 30 Sept 2014 were RMB1.4 million representing a 92% decrease from the same period last year. 2014 sales comprised mainly sale of laggards and slow growing abalone. The management is expecting increased sales in Q4 2014 as market prices start to climb as we approach the expected peak season from October 2014.

Direct Production Costs refer to Feed, Electricity and Staff costs. Direct Production Cost for the 9 months ended 30 Sept 2014 amounting to RMB29.6 million and is RMB46.1 million or 61% 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 40%.

Other operating expenses consists mainly security fee, consumables and professional fee amounting to RMB3.5 million, RMB1.4 million and RMB0.7 million respectively.

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 RMB2.9 million and RMB19.6 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 RMB64.9 million from RMB567.5 million at 31 December 2013 to RMB 502.6 million at 30 September 2014. This movement is attributable to the following:-

1. **Biological assets** decreased by RMB9.9 million from RMB19.9 million as at 31 December 2013 to RMB 10 million as at 30 September 2014. The decrease was mainly due to sale of abalone and mortality.

2. **Property, plant and equipment** decreased by RMB48.3 million from RMB510.5 million as at 31 December 2013 to RMB462.2 million as at 30 September 2014. The decrease was due to depreciation for the 9 months ending 30 September 2014.

Total current liabilities increased by RMB455.8 million from RMB126.2 million as at 31 December 2013 to RMB582 million as at 30 September 2014 mainly due to convertible loan and derivatives totaling to RMB421.9 million has been reclassified to current liabilities from non-current liabilities in accordance to its maturity date.
In addition, we also saw an increase in amount due to trade creditor (purchase of feed) of RMB5.5 million, additional loan from investors of RMB17.4 million for working capital usage and an increase of interest payable arising from outstanding convertible loan of RMB13.8 million as of 30 September 2014. The increase was offset against net repayment to other payables of RMB2.8 million.

Non-current liabilities Decrease of RMB377.8 million due to reclassification of convertible loan and derivatives to current liabilities in accordance to its maturity date less than one year.

Total equity decreased by RMB142.8 million to RMB85.4 million as of 30 September 2014. This was due to 9M 2014 losses and decrease in translation reserve.

REVIEW OF CASH FLOW STATEMENT

The Group generated a negative cash flow of RMB2 million for the 9 months ended 30 September 2014. In this quarter, the Group has received additional RMB15.4 million loans 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

In September 2014, there was a serious case of industrial pollution to sea waters effecting Luoyuan Bay, the sea-farming region in Fujian. This resulted in unusual high mortality and shortage of abalones supply in the market. The shortage created by this event came in at the time of the year when we are approaching the peak season for abalone sales from November to March. Thus, we expect increase in market prices to be more significant than usual.

Management intent to cull for sales the existing abalone population as the quality of the abalone is not ideal. To replenish the abalone population, management will identify the top quality juvenile resulting from the upcoming breeding season in Oct as well as selective purchases of good quality abalones of certain sizes categories to repopulate. This will ensure the resources are better allocated, an important step to improve our cost of production and to maximise cost efficiency for future profitability.

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 definitive agreement on 31 October 2014 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 definitive agreement. 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.

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 has fully utilized the net proceeds of S$28,253,000 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 2014 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Ng Cher Yew
Executive Chairman
14 November 2014