



Oceanus Group Limited

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

UNAUDITED FOURTH QUARTER YEAR FINANCIAL STATEMENTS AND ANNOUNCEMENT FOR THE 12 MONTHS ENDED 31 DECEMBER 2013 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 & Q4), 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) %	12 months ended		Favourable/ (Adverse) %
	2013-12-31 RMB'000	2012-12-31 RMB'000 Restated		2013-12-31 RMB'000	2012-12-31 RMB'000 Restated	
Sales of aquaculture products						
Sales of live marine products	15,991	21,061	(24)	33,418	80,992	(59)
Sales of processed marine products	-	3,228	(100)	7,614	11,041	(31)
	15,991	24,289	(34)	41,032	92,033	(55)
Continuing operations						
Loss arising from changes in fair value less estimated point-of-sale costs	16,513	(100,856)	116	(6,170)	(80,931)	92
Sales of processed marine products	-	3,228	NM	7,614	11,041	(31)
	16,513	(97,628)	NM	1,444	(69,890)	NM
Other operating income	2,071	19,393	(89)	8,510	22,552	(62)
Changes in inventories	-	(6,096)	NM	(7,614)	1,399	NM
Raw materials and consumables	-	4,929	NM	-	(10,110)	NM
Feed used	(2,260)	(14,070)	84	(33,346)	(53,631)	38
Electricity, fuel and water	(6,037)	(8,307)	27	(26,257)	(26,305)	0
Staff costs	(8,591)	(13,768)	38	(38,439)	(45,122)	15
Depreciation	(17,511)	(19,004)	8	(75,886)	(87,176)	13
Foreign exchange (loss)/gain	(2,280)	5,800	NM	229	(20,995)	NM
Reversal/(Allowance for) doubtful trade receivables	-	15,711	NM	4,413	(56,969)	NM
Impairment loss on prepaid leases	-	(3,264)	NM	-	(3,264)	NM
Impairment loss on property, plant and equipment	(13,527)	(21,103)	36	(31,365)	(56,300)	44
Other operating expenses	(4,973)	(87,711)	94	(31,556)	(96,564)	67
Finance costs	(1,970)	(19,175)	90	(35,548)	(58,961)	40
Loss before income tax	(38,565)	(244,293)	84	(265,415)	(561,336)	53
Income tax credit	-	3,982	NM	-	7,768	NM
Loss for the year from continuing operations	(38,565)	(240,311)	84	(265,415)	(553,568)	52

	3 months ended		Favourable/ (Adverse) %	12 months ended		Favourable/ (Adverse) %
	2013-12-31	2012-12-31		2013-12-31	2012-12-31	
	RMB'000	RMB'000 Restated		RMB'000	RMB'000 Restated	
Discontinued operation						
Loss for the year from discontinued operations	31	450	93	76	(1,795)	NM
Loss for the year	(38,534)	(239,861)	84	(265,339)	(555,363)	52
Attributable to:						
Equity holders of the Company	(38,534)	(239,861)	84	(265,339)	(551,165)	52
Non-controlling interests	-	-	NM	-	(4,198)	NM
	(38,534)	(239,861)	84	(265,339)	(555,363)	52
Adjusted EBITDA*	(3,102)	(173,938)	98	(126,911)	(242,260)	48

* Refer to pg.12 for details of Adjusted EBITDA

NM: Not meaningful

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

	3 months ended		Favourable/ (Adverse) %	12 months ended		Favourable/ (Adverse) %
	2013-12-31	2012-12-31		2013-12-31	2012-12-31	
	RMB'000	RMB'000 Restated		RMB'000	RMB'000 Restated	
Continuing operations						
Interest income	(2)	7	NM	(4)	(5)	(20)
Interest expense						
(i) Coupon rate 5%	3,577	4,565	22	15,464	20,533	25
(ii) Notional interest	(2,118)	13,635	116	16,902	35,166	52
(iii) Loan interest	129	100	(29)	1,527	2,387	36
(iv) Withholding tax	382	-	NM	1,655	-	NM
Depreciation of property, plant and equipment	17,511	19,004	8	75,886	87,176	13
Amortisation of prepaid leases	172	218	21	658	912	28
Operating lease expenses	984	2,386	59	2,564	4,715	46
(Gain) Loss on disposal of plant and equipment	-	16,216	NM	(1,181)	16,114	NM
(Gain) Loss on disposal of prepaid lease	-	(15,912)	NM	897	(15,912)	NM
(Reversal) Allowance for doubtful trade receivables	-	(15,711)	NM	(4,413)	56,969	NM
Impairment on property, plant and equipment	13,527	21,103	36	31,365	56,300	44
Foreign exchange loss/(gain)	2,280	(5,800)	NM	(229)	20,995	NM
Reversal in value of Inventories, net	-	(1,417)	NM	-	(1,417)	NM
Impairment loss on prepaid leases	-	3,264	NM	-	3,264	NM
Write off of prepaid leases	-	1,470	NM	-	1,470	NM
Fair value loss on financial derivatives	-	29,718	NM	-	29,718	NM
Discontinued operations						
Interest income	-	(2)	NM	-	(2)	NM
Operating lease expenses	-	(10)	NM	-	955	NM
Bad debts written off	-	13	NM	-	13	NM
Gain on disposal of property, plant and equipment	-	(30)	NM	-	(65)	NM
Allowance for inventories	-	(12)	NM	-	-	NM
Foreign exchange (gain)/loss	(28)	(518)	(95)	(103)	(518)	(80)

(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		12 months ended	
	2013-12-31 RMB'000	2012-12-31 RMB'000 Restated	2013-12-31 RMB'000	2012-12-31 RMB'000 Restated
Loss for the period	(38,534)	(239,861)	(265,339)	(555,363)
Other comprehensive income				
Exchange differences on translation of foreign operations	2,480	(7,815)	18,002	3,008
Total comprehensive income for the period	(36,054)	(247,676)	(247,337)	(552,355)
Attributable to:				
Equity holders of the Company	(36,054)	(247,676)	(247,337)	(548,157)
Minority interest	-	-	-	(4,198)
	(36,054)	(247,676)	(247,337)	(552,355)

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	
	2013-12-31	2012-12-31	2013-12-31	2012-12-31
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
<u>Current assets</u>				
Cash and bank balances	5,555	4,455	3,124	1,786
Trade receivables	1,021	2,532	-	-
Other receivables	16,447	17,975	720,045	648,398
Inventories	1,175	8,992	-	-
Biological assets	25,686	60,448	-	-
	<u>49,884</u>	<u>94,402</u>	<u>723,169</u>	<u>650,184</u>
<u>Non-current assets</u>				
Property, plant and equipment	617,739	716,805	-	-
Prepaid leases	15,724	16,383	-	-
Investment in subsidiaries	-	-	1,391,067	1,391,067
	<u>633,463</u>	<u>733,188</u>	<u>1,391,067</u>	<u>1,391,067</u>
Total assets	<u>683,347</u>	<u>827,590</u>	<u>2,114,236</u>	<u>2,041,251</u>
LIABILITIES AND EQUITY				
<u>Current liabilities</u>				
Trade payables	15,719	28,336	-	-
Other payables	73,092	76,738	45,152	33,595
Loans and borrowings	11,016	27,842	11,016	17,990
Current tax payable	36,662	36,854	-	-
	<u>136,489</u>	<u>169,770</u>	<u>56,168</u>	<u>51,585</u>
<u>Non-current liabilities</u>				
Convertible loan	230,598	254,312	230,598	254,312
Derivative liabilities	89,529	95,865	89,529	95,865
Deferred tax liabilities	10,977	11,753	10,977	11,753
	<u>331,104</u>	<u>361,930</u>	<u>331,104</u>	<u>361,930</u>
Total liabilities	<u>467,593</u>	<u>531,700</u>	<u>387,272</u>	<u>413,515</u>
<u>Capital and reserves</u>				
Share capital	214,402	72,216	2,373,685	2,202,268
Capital reserve	1,021,779	992,548	11,229	11,229
Currency translation reserve	5,520	(12,482)	(2,159)	15,932
Warrant reserve	102,876	107,092	102,876	107,092
Statutory reserve	39,262	39,262	-	-
Accumulated losses	(1,168,085)	(902,746)	(758,667)	(708,785)
Equity attributable to equity holders of the Company	<u>215,754</u>	<u>295,890</u>	<u>1,726,964</u>	<u>1,627,736</u>
Total liabilities and equity	<u>683,347</u>	<u>827,590</u>	<u>2,114,236</u>	<u>2,041,251</u>

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

	Group			
	As at 31 December 2013		As at 31 December 2012	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Amount payable in one year or less, or demand	-	11,016	9,852	17,990
Amount repayable after one year	-	230,598	-	254,312
Total	-	241,614	9,852	272,302

Details of any collateral

Secured

Not Applicable

Unsecured

The amounts of RMB11 million are unsecured, repayable in one year or less, or on demand.

The Unsecured amount repayable after one year of RMB231 million relates to a restructured 3-year Convertible Loan which was completed in a Proposed Restructuring Exercise on an Extraordinary General Meeting (EGM) held on 10 July 2012.

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

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

	Group			
	3 months ended		12 months ended	
	2013-12-31	2012-12-31	2013-12-31	2012-12-31
	RMB'000	RMB'000	RMB'000	RMB'000
Cash Flows from Operating Activities				
Loss before income tax	(38,534)	(243,843)	(265,339)	(563,131)
Adjustments for:				
Loss/ (Gain) arising from changes in fair value less cost to sell of biological assets	(16,513)	100,856	6,170	80,931
Depreciation of property, plant and equipment	17,511	19,004	75,886	87,176
(Gain)/ Loss on disposal of property, plant and equipment	(284)	16,186	(1,181)	16,049
Write-off of property, plant and equipment	-	3,336	-	3,336
Impairment loss on property, plant and equipment	13,527	21,103	31,365	56,300
(Gain)/ Loss on disposal of prepaid lease	-	(15,912)	897	(15,912)
Amortisation of prepaid leases	172	218	658	912
Write off of prepaid leases	-	1,470	-	1,470
Impairment loss on prepaid lease	-	3,264	-	3,264
(Reversal of)/ Allowance for doubtful debts	-	(15,711)	(4,413)	56,969
Fair value loss on financial derivatives	-	29,718	-	29,718
Interest income	(2)	6	(4)	(7)
Interest expense	1,970	19,175	35,548	58,961
Net foreign exchange difference	(1,717)	(13,138)	(4,846)	303
Operating cash flows before working capital changes	(23,870)	(74,268)	(125,259)	(183,661)
Trade receivables	1,168	18,432	5,924	41,799
Other receivables	(13,489)	(1,022)	(6,119)	32,345
Inventories	178	5,957	7,817	(1,740)
Biological assets	15,992	21,082	28,592	77,689
Trade payables	(3,646)	1,628	(12,617)	3,431
Other payables	5,562	37,298	(20,859)	30,663
Cash from (used in) from operations	(18,105)	9,107	(122,521)	526
Interest received	2	(6)	4	7
Interest paid	(34)	(8,484)	(1,431)	(14,206)
Income taxes paid	(44)	-	(192)	(11,874)
Cash flows from (used in) operating activities	(18,181)	617	(124,140)	(25,547)
Investing activities				
Purchase of property, plant and equipment	(166)	(14,368)	(14,726)	(14,992)
Additional for prepaid lease	-	29	-	-
Proceeds from disposal of property, plant and equipment	-	166	6,825	166
Proceeds from disposal of prepaid lease	-	(35)	7,647	3,605
Cash flows used in investing activities	(166)	(14,208)	(254)	(11,221)
Financing activities				
Proceeds on right issue	-	-	142,186	-
Proceeds from issuance of shares	-	1,919	-	67,577
Proceeds from borrowings	7,328	2,171	28,831	17,990
Repayment of borrowings	-	-	(35,671)	-
Repayment of bank loan	-	(1,020)	(9,852)	(72,789)
Cash flows from financing activities	7,328	3,070	125,494	12,778
Net increase (decrease) in cash and cash equivalent	(11,019)	(10,521)	1,100	(23,990)
Cash and cash equivalent at beginning of the period	16,574	14,976	4,455	28,445
Cash and cash equivalents at end of the period	5,555	4,455	5,555	4,455

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

	12 months ended	
	31/12/2013	31/12/2012
	RMB'000	RMB'000
Cash and bank balances	5,555	4,455

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 2012	832,512	67,039	(13,686)	55,355	39,262	(376,098)	604,384	77,030	681,414
Effect of prior years' adjustments	(760,296)	760,296	(470)	(13,989)	-	23,183	8,724	-	8,724
At 1 January 2012, restated	72,216	827,335	(14,156)	41,366	39,262	(352,915)	613,108	77,030	690,138
Issue of new shares	-	193,241	-	-	-	-	193,241	-	193,241
Issue of new convertible loan	-	-	-	65,726	-	-	65,726	-	65,726
Acquisition of non-controlling interests	-	(28,028)	-	-	-	-	(28,028)	(72,832)	(100,860)
Loss for the period	-	-	-	-	-	(549,831)	(549,831)	(5,532)	(555,363)
<u>Other comprehensive income</u>									
Foreign currency translation	-	-	1,674	-	-	-	1,674	1,334	3,008
Total comprehensive income for the period	-	-	1,674	-	-	(549,831)	(548,157)	(4,198)	(552,355)
Balance as at 31 Dec 2012	72,216	992,548	(12,482)	107,092	39,262	(902,746)	295,890	-	295,890
Balance as at 1 Jan 2013	72,216	992,548	(12,482)	107,092	39,262	(902,746)	295,890	-	295,890
Right Issue	142,186	-	-	-	-	-	142,186	-	142,186
Loss for the period	-	-	-	-	-	(265,339)	(265,339)	-	(265,339)
<u>Other comprehensive income</u>									
Foreign currency translation	-	-	18,002	-	-	-	18,002	-	18,002
Total comprehensive income for the period	-	-	18,002	-	-	(265,339)	(247,337)	-	(247,337)
Exercise of convertible warrant (note 1)	-	29,231	-	(4,216)	-	-	25,015	-	25,015
Balance at 31 Dec 2013	214,402	1,021,779	5,520	102,876	39,262	(1,168,085)	215,754	-	215,754

	Share capital	Capital reserve	Currency translation reserve	Warrant reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>The Company</u>						
Balance as at 1 Jan 2012	2,020,256	-	(7,476)	55,355	(294,786)	1,773,349
Effect of prior years' adjustment	-	-	2,583	(13,989)	(57,995)	(69,401)
At 1 Jan 2012, restated	2,020,256	-	(4,893)	41,366	(352,781)	1,703,948
Issue of new shares	182,012	11,229	-	-	-	193,241
Issue of new convertible loan	-	-	-	65,726	-	65,726
Loss for the period	-	-	-	-	(356,004)	(356,004)
<u>Other comprehensive income</u>						
Foreign currency translation	-	-	20,825	-	-	20,825
Total comprehensive income for the period	-	-	20,825	-	(356,004)	(335,179)
Balance as at 31 Dec 2012	2,202,268	11,229	15,932	107,092	(708,785)	1,627,736
Balance as at 1 Jan 2013	2,202,268	11,229	15,932	107,092	(708,785)	1,627,736
Right Issue	142,186	-	-	-	-	142,186
Loss for the period	-	-	-	-	(49,882)	(49,882)
<u>Other comprehensive income</u>						
Foreign currency translation	-	-	(18,091)	-	-	(18,091)
Total comprehensive income for the period	-	-	(18,091)	-	(49,882)	(67,973)
Exercise of convertible warrant	29,231	-	-	(4,216)	-	25,015
Balance as at 31 Dec 2013	2,373,685	11,229	(2,159)	102,876	(758,667)	1,726,964

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.

An aggregate of 80,888,625 new Shares (the "New Shares") in the Company were allotted and issued to the Strategic Investors on 26 March 2013.

An aggregate of 1,001,752,019 Rights Shares were allotted and issued to entitled shareholders on 15 July 2013.

As a result, the Company's share capital has increased from 2,555,300,903 shares as of 31 December 2012 to 3,637,941,547 shares as of 31 December 2013.

As of 31 December 2013, 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 31 December 2013.

(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 31 December 2013 is 3,637,941,547 shares (31 December 2012: 2,555,300,903 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 2012.

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		12 months ended	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
a) EPS based on weighted average number of shares (RMB cents/ share)	(1.06)	(9.39)	(8.62)	(24.48)
b) EPS based on fully diluted basis (RMB cents/ share)	(1.06)	(9.39)	(8.62)	(24.48)
Weighted average number of shares applicable to earnings per share	3,637,941,547	2,555,300,903	3,077,117,942	2,268,951,587
Weighted average number of shares fully diluted basis	3,637,941,547	2,555,300,903	3,077,117,942	2,268,951,587

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	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Net asset value per ordinary share based on issued share capital as at end of the period (RMB cents/share)	5.93	11.58	47.47	63.7

Net asset value for the Group and the Company as at 31 December 2013 and 31 December 2012 are computed based on 3,637,941,547 shares and 2,555,300,903 shares respectively in issue 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 4Q 2013 Adjusted EBITDA* is a loss of RMB3.1 million.

In RMB'000	Q4/2013	Q3/2013	Q2/2013	Q1/2013	Restated Q4/2012
Net loss	(38,534)	(104,919)	(76,637)	(45,249)	(239,861)
Add/(deduct)					
Income tax	-	-	-	-	(3,982)
Depreciation and amortisation	17,683	19,429	19,407	20,025	19,222
EBITDA	(20,851)	(85,490)	(57,230)	(25,224)	(224,621)
(Reversal of)/Allowance for doubtful trade receivables	-	-	(4,413)	-	(15,711)
Foreign exchange (gain)/loss	2,252	2,355	3,765	(8,704)	(6,318)
Fair value loss on financial derivatives	-	-	-	-	29,718
(Gain)/ Loss on disposal of property, plant and equipment	-	(284)	(897)	-	16,186
Impairment loss/(Reversal of) on property, plant and equipment	13,527	17,838	(1,246)	1,246	21,103
Allowance for inventories and inventory written down	-	-	-	-	(1,417)
Loss on disposal of prepaid lease	-	-	897	-	(15,912)
Write off of prepaid lease	-	-	-	-	1,470
Impairment loss on prepaid lease	-	-	-	-	3,264
Interest expense	1,970	2,438	16,430	14,710	18,300
Adjusted EBITDA*	(3,102)	(63,143)	(42,694)	(17,972)	(173,938)

*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 RMB5 million or 24% from RMB21 million in 4Q 2012 to RMB15 million in 4Q 2013. Year-to-date total sales of RMB41 million was 55% lower compared to same period last year as a result of China's new wave of austerity measures imposed by new government. Abalone like many other high end consumer products including liquor, were affected by the frugality drive.

The Group reported an YTD loss of RMB 265.3 million against loss of RMB 555.3 million for the same period last year. The favorable variance of RMB290.0 million was mainly due to:

- (1) Loss arising from changes in fair value of biological assets was RMB6.1 million or 92% favourable in 12 months ended 31 December 2013 ("12M 2013") compared to same period last year. The fair value losses in biological assets for FY2013 were mainly due to the mortality caused by Typhoon Usagi to the farms located in Gulei and Hui Lai (Guangdong, China) in September 2013 as well as sales of abalone.
- (2) Direct production cost (Raw material & Consumables, Feed used, Electricity and Staff cost) decreased by RMB27 million or 21% to RMB98 million in 12M 2013. The decrease was due to reduction in caged population as compared to the same period last year.
- (3) YTD Foreign exchange gain was due to RMB strengthening against SGD as at 31 December 2013, i.e SGD1: RMB4.82 as compared to 31 December 2012 i.e SGD1:RMB5.16.

- (4) Decrease in finance cost was mainly due to the following:
- Adjustment of notional interest recognised in Q1 and Q2 2013
 - New convertible bond carries lower interest rate of 5% as compared to the old convertible bond 9%
 - Early conversion of 80.8 million warrants to shares in 1Q 2013 has resulted the decrease in interest cost

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

(a) Live Marine Products

Biological Assets: standing population & valuation as at 31 December 2013

I. Total Population (figures expressed in Thousands)

Sizes:	Land Based		Sea Based		Total	
	Unit '000	RMB '000	Unit '000	RMB '000	Unit '000	RMB '000
Large Size (5.8-8.2cm)	79	204	-	-	79	204
Medium Size (3.8-5.7cm)	5,381	6,161	-	-	5,381	6,161
Smaller Size (2.0-3.7cm)	50,216	19,321	-	-	50,216	19,321
Uncaged (Approximate)	100,000	-	-	-	100,000	-
	155,676	25,686	-	-	155,676	25,686

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

II. <u>Caged Abalone Population (in '000 units)</u>	31 December 2013	30 September 2013	Favourable/ (Adverse)
- Larger sizes (5.8cm and above)	79	2,367	(97%)
- Medium sizes (3.8-5.7cm)	5,381	11,841	(55%)
- Smaller sizes	50,216	11,567	334%
Total Abalones	<u>55,676</u>	<u>25,775</u>	116%

III. Tanks Utilized

	31 December 2013	30 September 2013	
No. of Juvenile tanks used	6,107	7,610	(20%)
No. of Grow-out tanks used	1,438	2,115	(32%)
	<u>7,545</u>	<u>9,725</u>	(22%)

Larger and Medium sizes population declined by 97% and 55% respectively due to sales of abalone in Q4 2014, Smaller size of abalones increased by 334% due to 2012 cohort / juveniles has been caged in Q4 2013. The Uncaged population is kept in juvenile tanks and carried at zero valuation, which will be caged in Q3 2014.

There was 20% decrease in juvenile tanks used and 32% decrease in grow-out tanks used resulting in an overall 22% decrease in tank utilization. The decrease in juvenile tanks used is due to the 2013 cohort was only 3 months old and smaller in size, decrease in grow-out tanks used was mainly due to Q4 sales of larger and medium sizes abalone.

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

(a) Live Marine Products (cont'd)

	3 months ended		Favourable/ (Adverse) %	12 months ended		Favourable/ (Adverse) %
	31/12/2013 RMB'000	31/12/2012 RMB'000		31/12/2013 RMB'000	31/12/2012 RMB'000	
External sales	15,991	21,061	-24%	33,418	80,992	-59%
(Loss)/Gain on fair value	16,513	(100,856)	116%	(6,170)	(80,931)	92%
Other operating income	1,723	3,181	-46%	6,976	5,530	26%
Feed used	(2,260)	(14,070)	84%	(33,346)	(53,631)	38%
Electricity and fuel	(6,022)	(8,234)	27%	(26,075)	(25,713)	-1%
Staff costs	(6,218)	(11,130)	44%	(30,802)	(34,990)	12%
Depreciation	(17,476)	(18,739)	7%	(75,747)	(84,401)	10%
Foreign exchange	(2,235)	(2,451)	9%	13,939	(17,086)	NM
Impairment loss on property, plant and equipment	(13,243)	(3,010)	NM	(31,365)	(17,813)	-76%
Loss on disposal of property, plant and equipment	-	(16,114)	NM	284	(16,114)	NM
Other operating expenses	(2,919)	(16)	NM	(13,065)	(8,007)	-63%
Net Loss before tax	(32,137)	(171,439)		(195,371)	(333,156)	

Sales for Live marine products in FY2013 were RMB33.4m representing a 59% decrease compared to same period last year. The FY2013 sales was dampened by the frugality drive.

As a result of reduction in caged population, Direct Production Cost for FY2013 has declined by RMB24 million or 21% as compared to the same period last year. Direct Production Costs refer to Feed, Electricity and Staff costs.

The impairment loss on property, plant and equipment amounting to RMB31.3 million was due to damages caused by Typhoon Usagi.

Other operating expenses of RMB13.0 million which is 63% higher compared to same period last year. This comprised mainly consumables, freight and repair and maintenance charges.

(b) Processed Marine Products

	3 months ended		Favourable/ (Adverse)	12 months ended		Favourable/ (Adverse)
	31/12/2013 RMB'000	31/12/2012 RMB'000		31/12/2013 RMB'000	31/12/2012 RMB'000	
External sales	-	3,228	NM	7,614	11,041	-31%
Cost of sales	-	1,525	NM	(7,614)	(6,019)	-26%
Gross Profit	-	4,753	NM	-	5,022	NM
Other operating income	632	300	-111%	5,947	1,110	NM
Depreciation	-	(223)	NM	-	(2,632)	NM
Foreign exchange	1,329	491	-171%	5,466	(3,736)	NM
Allowance for doubtful trade receivables	-	15,711	NM	-	(56,969)	NM
Impairment loss on property, plant and equipment	-	(18,094)	NM	-	(38,488)	NM
Other operating expenses	(902)	(11,072)	92%	(2,726)	(20,808)	87%
Net profit/(loss)	1,059	(8,134)		8,687	(116,501)	

The Management is in the process to finalise the sale of processing plant, which is likely to be completed in Q1 2014.

Other operating income includes a reversal in impairment on trade receivables of RMB4.4 million, gain on disposal of property, plant and equipment of RMB0.9 million and government subsidy of RMB0.6 million in FY 2013.

Other operating expenses include staff costs and utilities relates to bare skeletal staff maintained at the plant to ensure security and basic maintenance.

GROUP OPERATING ITEMS

The Group's losses had narrowed over the last four quarters.

Other operating income

Other operating Income of the Group decreased RMB14 million from RMB22.5 million in FY2012 to RMB8.5 million in FY2013. The variance is due to one off gain on disposal of prepaid lease amounting to 15.9 million in FY2012.

(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 RMB144.3 million from RMB827.6 million as at 31 December 2012 to RMB 683.3 million as at 31 December 2013. This movement is attributable to the following:-

1. **Trade receivables** decreased by RMB1.5 million due to repayment from trade receivables.
2. **Other receivables** decreased by RMB1.5 million due to collection from other receivables.
3. **Inventories** decreased by RMB7.8 million from RMB8.9 million as at 31 December 2012 to RMB1.1 million as at 31 December 2013 due to one off sales of processed frozen abalone.
4. **Biological assets** decreased by RMB34.8 million from RMB60.4 million as at 31 December 2012 to RMB 25.6 million as at 31 December 2013. The losses in the biological assets mainly arising from sales of both sea and land farms abalones as well as the damages caused by Typhoon Usagi.
5. **Property, plant and equipment** decreased by RMB99 million from RMB716.8 million as at 31 December 2012 to RMB617.7 million as at 31 December 2013. The decrease was mainly arising from annual depreciation, impairment loss caused by Typhoon and government land acquisition of Xia Cai Farm 4.

Total current liabilities decreased by RMB33.3 million from RMB169.7 million as at 31 December 2012 to RMB136.4 million as at 31 December 2013 due to repayment of bank loans, borrowings and decrease in amount owing to trade and other payables amounting to RMB9.9 million, RMB 6.9million and RMB16.2 million respectively.

Non-current liabilities refer mainly to the restructured convertible loan and related derivative liabilities on the redemption premium obligation of RMB230.6 million and RMB89.5 million respectively. The decrease of RMB23.7 million in convertible loan balance was mainly due to early conversion of 80.8 million warrants to shares in 1Q 2013, the decrease is partially offset by notional interest charge for the year.

Total equity decrease by RMB80.1 million to RMB215.7 million as of 31 December 2013 was mainly due to YTD losses of RMB265.3 million and reversal of warrant reserve of RMB4.2 million. The decrease is offset against the increase in share capital due to right issue of RMB142.2 million on 17 July 2013, increase in currency translation reserve of RMB18.0 million, as well as increase in capital reserve of RMB29.2 million due to early conversion of warrant by 2 strategic investors on 26 March 2013.

REVIEW OF CASH FLOW STATEMENT

The Group generated a positive cash flow of RMB1.1 million in FY2013. The Group has received RMB142 million from right issue and RMB28.8 million from borrowings. The proceeds from disposal of prepaid lease and property, plant and equipment were 7.6 million and 6.8 million respectively. Those amounts received were used to repay the entire outstanding bank loan, loan from borrowers, purchase of property, plant and equipment, other payables as well as 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 abalone industry in China remains fragile, with demands and prices for live abalones still weak. The austerity drive implemented a year ago by the central government is on-going. Farm consolidation is continuing.

The operations in China were reduced to 2 sites, namely Fotan and Gulei regions for better management and utilisation of financial and other resources. Personnel restructuring at the China operation level saw the former less co-operative management team being replaced by a more accountable, transparent, cohesive and compliant team. This allows the Group to have a stronger grip on its PRC operations and a focus on science based farming. The down-sizing, cost reductions and scientific tackling of the production challenges to focus on quality breeding of abalones should impact positively the Group's financial results in the years to come.

Since gaining full and direct control of the Group's overall operations and production in China, the senior management has put in place a science & evidence-based approach to the way our farms are managed and run; with standardized operating procedures for effective monitoring of key parameters.

We are also in the process of putting together comprehensive manuals and protocols to standardize our farms' breeding protocol and practices.

The first two manuals the Group is currently implementing are the "Farm Safety and Risk Management Plans for Oceanus Farms" and the "Oceanus Abalone Breeding Manual" respectively.

The Farm Safety and Risk Management Plans deal extensively with standard operating procedures that relate to farm bio-security & safety, animal and worker's health. It will also cover risk management plans for all of the Group's farms in China; albeit identification of all risks and hazards affecting abalone farms, risk characterization, elements of risk analysis and risk management processes and protocol.

The Oceanus Abalone Breeding Manual aims to put in place our proprietary best practises and breeding techniques with the aim of achieving a continuum of uniformity in our breeding processes. On the long run, it will positively impact the survival and growth rate of our abalone's larvae and juveniles. This evidence-based scientific approach, coupled with the Group's many years of hands-on breeding experience, will ensure a standardized continuity in our future breeding programmes.

We are also pleased to announce that we have set up our own laboratory and commenced our weekly farm water chemistry testing and recording. This archived records will serve as a valuable tools in helping to determine the various breeding protocol in the 4 seasons; especially summer and winter. More importantly, we will be able to effectively predict and mitigate risks associated mortalities related to changes in our water chemistry parameters (eg drastic climatic change, algal bloom, red tide etc)

Moving forward, we are strategically looking at diversifying into other species of high value aquaculture produce, taking advantage of the prime farming assets made available to joint-venture with key players in the aquaculture arena for hatcheries, feed formulation and selective production of identified species with high earning potentials. Preliminary talks with some of these key global players have been initiated.

Last but not least, the Group is in discussion with the existing loans and warrants holders and potential new investors for a funding solution to existing loans & warrants issue as well as financing the on-going operations.

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. Use of Net Proceed from the Rights Issue

The Group has utilized the nets proceeds of S\$28,250,000 raised from Rights Issue, after deducting the related expenses of S\$800,000 as of 31 December 2013 as follows:

	Proposed allocation of proceeds	Net proceeds used	Balance of Net Proceeds
	(S\$'000)	(S\$'000)	(S\$'000)
General working capital	15,168	14,070	1,098
Repayment of bank loans (1)	445	557	(112)
Reconstruction of production facilities (2)	1,555	1,640	(85)
Repayment of other loans and advances	11,085	11,085	-
Total	28,253	27,352	901

Notes:

(1) Variation is due to exchange rate and additional interest due to late payment

(2) Variation is due to exchange rate

14. Negative assurance confirmation on the interim financial results pursuant to Rule 795(4) 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 12 months ended 31 December 2013 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Ng Cher Yew
Executive Chairman
28 February 2014