



Oceanus Group Limited

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

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS AND ANNOUNCEMENT FOR THE 3 MONTHS ENDED 31 MARCH 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.

	<u>3 months ended</u>		Favourable/ (Adverse) %
	2014-03-31 RMB'000	2013-03-31 RMB'000	
Sales of aquaculture products			
Sales of live marine products	119	7,227	(98)
Sales of processed marine products	-	7,614	(100)
	119	14,841	(99)
<u>Continuing operations</u>			
Gain arising from changes in fair value less cost to sell of biological assets	12,506	14,773	(15)
Sales of processed marine products	-	7,614	(100)
	12,506	22,387	(44)
Other operating income	155	953	(84)
Changes in inventories	-	(7,614)	NM
Feed used	(4,408)	(10,827)	59
Electricity and fuel	(3,472)	(7,298)	52
Staff costs	(4,618)	(10,047)	54
Foreign exchange gain/(loss)	11,398	7,148	59
Other operating expenses	(3,622)	(6,742)	46
EBITDA *	7,939	(12,040)	>100
Depreciation	(16,034)	(19,588)	18
Finance costs	(10,972)	(14,732)	26
Loss before income tax	(19,067)	(46,360)	59
Income tax credit	(48)	-	NM
Loss for the year from continuing operations	(19,115)	(46,360)	59

**EBITDA - Profit Before Interest, Tax, Depreciation and Amortisation.*

	3 months ended		Favourable/ (Adverse)
	2014-03-31	2013-03-31	
	RMB'000	RMB'000	%
<u>Discontinued operation</u>			
Profit for the year from discontinued operations	1,977	1,111	78
Loss for the year	<u>(17,138)</u>	<u>(45,249)</u>	62
Attributable to:			
Equity holders of the Company	<u>(17,138)</u>	<u>(45,249)</u>	62

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

	3 months ended		Favourable/ (Adverse)
	2014-03-31	2013-03-31	
	RMB'000	RMB'000	%
<u>Continuing operations</u>			
Interest income	-	(1)	NM
Interest expense			
(i) Coupon rate 5%	4,236	3,943	(7)
(ii) Notional interest	6,591	10,767	39
(iii) Loan interest	145	22	>(100)
Depreciation of property, plant and equipment	16,034	19,588	18
Impairment on construction in progress	-	1,246	NM
Amortisation of prepaid leases	159	162	2
Operating lease expenses	429	513	16
Foreign exchange (gain)/loss	(11,398)	(7,148)	59
<u>Discontinued operations</u>			
Depreciation of property, plant and equipment	-	212	NM
Amortisation of prepaid leases	-	63	NM
Operating lease expenses	-	11	NM
Gain on disposal of prepaid lease	(4,208)	-	NM
Foreign exchange (gain)/loss	2,205	(1,556)	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	
	2014-03-31	2013-03-31
	RMB'000	RMB'000
Loss for the period	(17,138)	(45,249)
Other comprehensive income		
Exchange differences on translation of foreign operations	(16,398)	(3,386)
Total comprehensive income for the period	(33,536)	(48,635)
Attributable to:		
Equity holders of the Company	(33,536)	(48,635)

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	
	2014-03-31	2013-12-31	2014-03-31	2013-12-31
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
<u>Current assets</u>				
Cash and bank balances	2,868	5,531	1,005	3,119
Trade receivables	5	5	-	-
Other receivables	17,852	17,041	981	-
Biological assets	32,293	19,906	-	-
	<u>53,018</u>	<u>42,483</u>	<u>1,986</u>	<u>3,119</u>
<u>Non-current assets</u>				
Property, plant and equipment	494,447	510,557	-	-
Prepaid leases	14,339	14,498	-	-
Investment in subsidiaries	-	-	795,000	795,000
	<u>508,786</u>	<u>525,055</u>	<u>795,000</u>	<u>795,000</u>
Total assets	<u>561,804</u>	<u>567,538</u>	<u>796,986</u>	<u>798,119</u>
LIABILITIES AND EQUITY				
<u>Current liabilities</u>				
Trade payables	18,987	16,347	-	-
Other payables	85,795	73,930	37,274	32,025
Long and borrowings	12,200	12,016	11,200	11,016
Current tax payable	23,948	23,948	-	-
	<u>140,930</u>	<u>126,241</u>	<u>48,474</u>	<u>43,041</u>
<u>Non-current liabilities</u>				
Convertible loan	265,701	254,746	265,701	254,746
Derivative liabilities	125,139	123,082	125,139	123,082
Deferred tax liabilities	6,142	6,041	6,142	6,041
	<u>396,982</u>	<u>383,869</u>	<u>396,982</u>	<u>383,869</u>
Total liabilities	<u>537,912</u>	<u>510,110</u>	<u>445,456</u>	<u>426,910</u>
<u>Capital and reserves</u>				
Share capital	2,373,685	2,373,685	2,373,685	2,373,685
Capital reserve	(1,137,504)	(1,137,504)	11,229	11,229
Currency translation reserve	11,344	27,742	(7,991)	(712)
Warrant reserve	101,651	101,651	101,651	101,651
Statutory surplus reserve	39,262	39,262	-	-
Accumulated losses	(1,364,546)	(1,347,408)	(2,127,044)	(2,114,644)
Equity attributable to equity holders of the Company	<u>23,892</u>	<u>57,428</u>	<u>351,530</u>	<u>371,209</u>
Total liabilities and equity	<u>561,804</u>	<u>567,538</u>	<u>796,986</u>	<u>798,119</u>

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

	Group			
	As at 31 March 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	-	12,200	-	12,016
Amount repayable after one year	-	265,701	-	254,746
Total	-	277,901	-	266,762

Details of any collateral

The Unsecured amount repayable after one year of RMB266 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	
	2014-03-31	2013-03-31
	RMB'000	RMB'000
Cash Flows from Operating Activities		
Loss before income tax	(17,090)	(45,249)
Adjustments for:		
Gain arising from changes in fair value less cost to sell of biological assets	(12,506)	(14,773)
Depreciation of property, plant and equipment	16,034	19,800
Impairment on PPE	-	1,246
Interest income	-	(1)
Interest expense	10,972	14,710
Amortisation of prepaid leases	159	225
Gain on disposal of prepaid lease	(4,208)	-
Net foreign exchange difference	(9,617)	(9,269)
Operating cash flows before working capital changes	(16,256)	(33,311)
Trade receivables	-	(3,682)
Other receivables	(811)	10,155
Inventories	-	7,551
Biological assets	119	7,108
Trade payables	2,640	(7,172)
Other payables	6,793	115
Cash used in operations	(7,515)	(19,236)
Interest received	-	1
Interest paid	-	(203)
Income taxes paid	(48)	(55)
Cash flows (used in) from operating activities	(7,563)	(19,493)
Investing activities		
Purchase of property, plant and equipment	-	(1,850)
Deposit received from disposal of property, plant and equipment	4,900	-
Cash flows from / (used in) investing activities	4,900	(1,850)
Financing activities		
Proceeds on loan from investors	-	19,924
Cash flows from financing activities	-	19,924
Net changes in cash and cash equivalent	(2,663)	(1,419)
Cash and cash equivalent at beginning of the period	5,531	4,454
Cash and cash equivalents at end of the period	2,868	3,035

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

	3 months ended	
	31/03/2014	31/03/2013
	RMB'000	RMB'000
Cash and bank balances	2,868	3,035

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 Jan 1, 2013	2,202,268	(1,137,504)	(12,482)	107,092	39,262	(902,746)	295,890	-	295,890
Loss for the year	-	-	-	-	-	(444,662)	(444,662)	-	(444,662)
Other comprehensive income									
Foreign currency translation	-	-	40,224	-	-	-	40,224	-	40,224
Total comprehensive income for the period	-	-	40,224	-	-	(444,662)	(404,438)	-	(404,438)
Shares issued pursuant to rights issue	142,187	-	-	-	-	-	142,187	-	142,187
Exercise of convertible warrants	29,230	-	-	(5,441)	-	-	23,789	-	23,789
Balance at December 31, 2013	2,373,685	(1,137,504)	27,742	101,651	39,262	(1,347,408)	57,428	-	57,428
Loss for the year	-	-	-	-	-	(17,138)	(17,138)	-	(17,138)
Other comprehensive income									
Foreign currency translation	-	-	(16,398)	-	-	-	(16,398)	-	(16,398)
Total comprehensive income for the period	-	-	(16,398)	-	-	(17,138)	(33,536)	-	(33,536)
Balance at March 31, 2014	2,373,685	(1,137,504)	11,344	101,651	39,262	(1,364,546)	23,892	-	23,892

	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 Jan 1, 2013	2,202,268	11,229	15,932	107,092	(708,785)	1,627,736
Loss for the year	-	-	-	-	(1,405,859)	(1,405,859)
Other comprehensive income						
Foreign currency translation	-	-	(16,644)	-	-	(16,644)
Total comprehensive income for the period	-	-	(16,644)	-	(1,405,859)	(1,422,503)
Shares issued pursuant to rights issue	142,187	-	-	-	-	142,187
Exercise of convertible warrants	29,230	-	-	(5,441)	-	23,789
Balance at December 31, 2013	2,373,685	11,229	(712)	101,651	(2,114,644)	371,209
Loss for the year	-	-	-	-	(12,400)	(12,400)
Other comprehensive income						
Foreign currency translation	-	-	(7,279)	-	-	(7,279)
Total comprehensive income for the period	-	-	(7,279)	-	(12,400)	(19,679)
Balance at March 31, 2014	2,373,685	11,229	(7,991)	101,651	(2,127,044)	351,530

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 31 March 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 31 March 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 31 March 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	
	31/03/2014	31/03/2013
a) EPS based on weighted average number of shares (RMB cents/ share)	(0.47)	(1.77)
b) EPS based on fully diluted basis (RMB cents/ share)	(0.47)	(1.77)
Weighted average number of shares applicable to earnings per share	3,637,941,547	2,559,794,716
Weighted average number of shares fully diluted basis	3,637,941,547	2,559,794,716

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	
	31/03/2014	31/12/2013	31/03/2014	31/12/2013
Net asset value per ordinary share based on issued share capital as at end of the period (RMB cents/share)	0.66	1.58	9.7	10.2

Net asset value for the Group and the Company as at 31 March 2014 and 31 December 2013 are computed based on 3,637,941,547 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 1Q2014 Adjusted EBITDA* is a gain of RMB723,000. This is an improvement over the 4Q2013 loss of RMB14.1 million.

In RMB'000	Q1/2014	Q4/2013
Net loss	(17,138)	(217,857)
Add/(deduct)		
Income tax	48	(17,866)
Depreciation and amortisation	16,034	20,481
Interest expense	10,972	23,339
EBITDA	9,916	(191,903)
Allowance for doubtful trade receivables	-	1,016
Foreign exchange (gain)/loss	(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	723	(14,147)

*Adjusted EBITDA demonstrates the real operating gain 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 RMB7.1 million or 98% from RMB7.2 million in Q1 2013 to RMB0.1 million in Q1 2014. The decrease was mainly due to management intends to keep the abalones growing instead of selling off to the market in view of the lower market price. The abalone market price fall in Q1 2014 reflect the continuing impact of frugality measures imposed by China government. Abalone like many other high end consumer products including liquor, were affected by the frugality drive.

The Group reported a net loss of RMB 17.1 million for Q1 2014 against net loss of RMB 45.2 million for the same period last year. The favorable variance of RMB 28.1 million was mainly due to:

- (1) Gain arising from changes in fair value less cost to sell of biological assets was decreased by approximately RMB2.2 million or 15% compared to Q1 2014. The decrease was mainly due to the lower abalone market price despite the increase in caged abalone population from 55 million units in Q42013 to 68 million units in Q12014.
- (2) Direct production cost (Raw material & Consumables, Feed used, Electricity and Staff cost) decreased by RMB15.6 million or 55% to RMB12.5 million in Q1 2014. The decrease was a result of the cost cutting measures implemented by the new management of the Group.
- (3) Foreign exchange gain was due to RMB strengthening against SGD as at 31 March 2014, i.e SGD1: RMB4.90 as compared to 31 December 2013 i.e SGD1:RMB4.82.
- (4) Decrease in finance cost was mainly due to lesser warrants as at 31 March 2014 as compared to same period last year which 80.8 million warrants had been converted to shares in prior year.

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

(a) Live Marine Products

Biological Assets: standing population & valuation as at 31 March 2014

I. Total Population (figures expressed in Thousands)

Sizes:	Land Based		Sea Based		Total	
	Unit	RMB'000	Unit	RMB	Unit	RMB'000
Large Size (5.8-8.2cm)	254,270	522	-	-	254,270	522
Medium Size (3.8-5.7cm)	12,756,390	9,635	-	-	12,756,390	9,635
Smaller Size (2.0-3.7cm)	55,801,338	22,136	-	-	55,801,338	22,136
Uncaged (Approximate)	80,560,000	-	-	-	80,560,000	-
	149,371,998	32,293	-	-	149,371,998	32,293

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

II. <u>Caged Abalone Population (in '000 units)</u>	1Q 2014	1Q 2013	Favourable/ (Adverse)
- Larger sizes (5.8cm and above)	254	2,577	(90%)
- Medium sizes (3.8-5.7cm)	12,756	23,917	(47%)
- Smaller sizes	55,801	76,089	(27%)
Total Abalones	<u>68,811</u>	<u>102,583</u>	(33%)

III. <u>Tanks Utilized.</u>			
No. of Juvenile tanks used	2,071	12,395	(83%)
No. of Grow-out tanks used	<u>4,040</u>	<u>2,609</u>	55%
	<u>6,111</u>	<u>15,004</u>	59%

1Q 2014 Caged population decreased 33% as compared to 1Q 2013. Larger, medium and smaller sizes have decreased by 90%, 47% and 27% respectively. Oceanus is consolidating the business in current frugality period and to prepare for the next upturn.

The Uncaged population are kept in juvenile tanks and carried at zero valuation which will be caged in coming September and October this year when the weather is cooler and the environment more suited to segregate and move the abalones in order to minimize stress, hereby preventing unnecessary mortalities.

There is 83% decrease in juvenile tanks resulting in an overall 59% decrease in tanks used as a result of decreasing abalone populations.

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

(a) Live Marine Products (cont'd)

In RMB'000	3 months ended		Favourable/ (Adverse)
	31/3/2014	31/3/2013	
External sales	119	7,227	(98%)
Gain on fair value	12,506	14,773	(15%)
Other operating income	155	952	(84%)
Feed used	(4,408)	(10,827)	59%
Electricity and fuel	(3,472)	(7,298)	52%
Staff costs	(2,933)	(8,370)	65%
Depreciation	(16,034)	(19,552)	18%
Foreign exchange gain/(loss)	(4,073)	4,836	NM
Other operating expenses	(1,957)	(3,602)	46%
Net Loss	(20,216)	(29,088)	30%

Sales for Live marine products for 1Q 2014 was RMB119,000 representing 98% q-o-q decrease compare to 1Q 2013. 1Q2014 sales comprised mainly forced sale of laggards with a lower price. The management intends to keep the abalone growth into larger sized abalone instead of selling off to the market in view of the lower market price during the period ended 31 March 2014.

Direct Production Costs refers to Feed, Electricity and Staff costs. Direct Production Cost for Q1 2014 of RMB10.8 million which is RMB15.6 million or 59% lower as compared to same period last year. The decrease was a result of cost cutting measures implemented by the new management of the Group. Although the population declined by 33%, the new management has managed to reduce Feed, Electricity and Staff costs by 59%, 52% and 65% respectively.

Other operating expenses of RMB1.9 million is 46% lower compared to last year. This comprised mainly consumables, freight and professional fee.

GROUP OPERATING ITEMS

Other operating income

Other operating Income comprised mainly gain on disposal of prepaid lease, rental income and scrap sales. There was a gain on disposal of prepaid lease under discontinued processed marine products segment amounting to RMB4.2 million.

(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 RMB5 million from RMB567 million as at 31 December 2013 to RMB562 million as at 31 March 2014. This movement is attributable to the following:-

1. **Other receivables** increased by RMB0.8 million were mainly due to prepayment to supplier and other debtors.
2. **Biological assets** increased by RMB12.3 million from RMB19.9 million as at 31 December 2013 to RMB32.2 million as at 31 March 2014. The increase was mainly due to growth in larger sized abalone population offset by sales of laggards.
3. **Property, plant and equipment** decreased by RMB16 million from RMB510 million as at 31 December 2013 to RMB494 million as at 31 March 2014. The decrease was due to depreciation charge for this quarter.

4. **Total current liabilities** increased by RMB14 million from RMB126 million as at 31 December 2013 to RMB140 million as at 31 March 2014 due to increase in amount due to trade supplier of RMB2.6 million, accrual of production costs of RMB2 million, receipt of additional deposit from processing plant buyer amounting to 4.9 million, increase in interest payable arising from outstanding convertible loan by RMB4.2 million as at 31 March 2013 etc.
5. **Non-current liabilities** refer to the convertible loan, derivative and deferred tax liability. Increase of RMB13 million was due to notional interest charge of RMB6.5 million and unrealized foreign currency loss of RMB6.5 million in this quarter.
6. **Total equity** decreased from RMB57 million at 31 December 2013 to RMB24 million as at 31 March 2014 was mainly due to Q1 2014 losses and reduced in currency translation reserve.

REVIEW OF CASH FLOW STATEMENT

The Group generated a negative cash flow of RMB2.6 million for the 3 months to 31 March 2014. In this quarter, the Group has received RMB4.9 million deposit from disposal of property, plant and equipment. This amount was solely used for working capital purposes.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months

The frugality drive in China is still affecting luxury consumer items such as abalones and liquors as the typical high end consumers shied away from such display of ostentatious behaviours in public for fear of bad publicity. The resultant lowering of consumption led to demand and prices of abalones staying weak. The farming sector is also consolidating.

Management is actively implementing structural and organizational reforms to improve the Group's competitiveness in production and business fundamentals in anticipation of market recovery. The abalone production cycle has a lag phase of about 1.5 years with market demand cycle. The industry consolidation taking place now would mean a reduced supply of abalones and it will take a year and half to react to market demands should consumption returns. A return of consumption pattern towards normalcy will result in increasing demands and prices; and a surge in demand for juveniles would be the first to occur as it takes time for abalones to grow. The Group would be well poised as the production of juveniles is one of its main competitive advantages. Furthermore the grow out of abalones to large sizes for the premium market would take about 3 year and half to reach, which is the other key competitive advantage of the Group. The demand for this category of abalone, if exported for processing into dried abalones, is relatively inelastic with stable high prices. We are negotiating an arrangement with an Australian abalone processor who is acquiring the Japanese drying technology to supply the abalone meat for making dried Japanese abalones next year onwards. A recent laboratory trial using our abalone meat by the processor to make sample dried abalones and subsequently a tasting trial were very promising and satisfactory to them and a couple of their key customers.

Our evidence-based or science-based approach to farming and the training of the managers and workers in the science of farming which the Group started implementing this year after recruitment of the Chief Technology Officer and Chief Operating Officer as core key operational management has attracted some technology partners to discuss using our farming platform in China and their technology to establish brood stock units of high value aquaculture species to produce breeders for hatcheries in China or juveniles for commercial production farms. An example is our current discussion with a biotech company, leveraging on our farming platform and science-based operational management team, to establish a specific pathogen free (SPF) shrimp brood stock unit using their proprietary bio-engineered product to cheaply produce high value SPF shrimp breeders which are in demand by the industry.

Last but not least, the Group is in discussion with the existing warrant holders and potential new investors for a funding solution to the existing loans and warrants issue which is due in June 2015 as well as to finance 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/recommended, a statement to that effect.

Not applicable

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920 (1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

There is no general mandate obtained from shareholders for the interested person's transactions.

14. Use of Net Proceed from the Rights Issue

The Group 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:

	Amount
Payment of Company's subsidiaries expenses:	S\$'000
- Repayment of trade payables	2,664
- Repayment of loan and borrowings	1,818
- Abalone breeding project expenditure	506
- Production and other operating expenses	4,672
Repayment of bank loans	557
Reconstruction of production facilities	1,640
Repayment of loan and advances taken for the working capital of the Company's subsidiaries	11,085
Payment of the Company's professional & legal fee	2,723
Payment of the Company's other operating expenses	2,342
	<u>28,007</u>
Balance unutilised	<u>246</u>
Total net proceeds	<u><u>28,253</u></u>

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 3 months ended 31 March 2014 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

**Ng Cher Yew
Executive Chairman
13 June 2014**