

Information Memorandum

OceanEthix International Holdings Limited

A.C.N. 161 170 707

June 2013

Corporate Directory

Directors

Dr Chuly Lee – Chairman
Lloyd Moskalik – Managing Director
Derek Condell – Non-Executive Director &
Company Secretary
Brian Wong – Director
Bernard Chi Keung Li – Director
Nicole Kit Hung Tang – Non-executive
Director
Nigel Kong Yiu Wong – Non-executive
Director
John Zhong – Non-executive Director

Company Secretary

Derek Condell

Chief Financial Officer

Bernard Chi Keung Li

Auditor:

Group auditor in Australia
Jeffrey D Cannings
Cannings & Co
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Brookvale,
NSW 2100, Australia

Auditor for the subsidiaries in Hong Kong

YCA Partners CPA Limited
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Legal

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Nominated Advisor

Collins Street Group Pty Ltd
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Australia

Banker

Wing Hang Bank Limited
161 Queen's Road Central
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1. Investors' Summary

1.0 Investment Proposition

OceanEthix International Holdings Limited (OCXIHL) has completed a compliance listing of 280,000,000 issued ordinary shares, currently held by members of OCXIHL on the National Stock Exchange of Australia

1.1 Company Background

OCXIHL owns the technology which has developed the ATOLL system, a modular 100% re-cycling waste water system for long term warehousing and farming of live seafood within the logistics and aquaculture industry.

The ATOLL has been designed to be built without geographical constraints, such as in remote land locked areas or urban centers, and easily retrofitted into existing structures. ATOLL's flexible design features has created a global opportunity across several industrial sectors (logistics, aquaculture, retail), for the storage and farming of live seafood.

1.2 The Market for ATOLL

The segment for warehousing and farming of seafood has shown strong growth primarily due to increases in the global (1) demand for fish; (2) unpredictable weather patterns; and (3) water pollution. Live seafood markets in China, Korea and Japan have seen rapid expansion fueled by consumers increasing demand for safer and wider range of quality products with traceability.

1.3 Business Strategy

OCXIHL's business model is based on selling, installing and managing ATOLL facilities for customers and partners across the distribution supply chain.

The use of sustainable technology and ability to be located in diverse environments has improved the efficiency of the live seafood supply chain and margins.

The company's unique value proposition has attracted a number of strategic partnerships with negotiations underway in China and Korea. The projected revenue from committed projects is HKD117 millions over three years, with additional projects being negotiated totaling HKD156 millions. Business development activities will continue to add new projects into the future pipeline.

2. CORPORATE INFORMATION

2.0 Vision

We are committed to the long-term success of the live seafood industry by taking a leading position in the promotion of sustainable aquaculture through renewable technology and solutions. We are focused on promoting higher standards of quality and efficiency to improve environmental and business performances.

2.1 History

Founding members of the management team of the water recycling system used and owned by the company have been researching and developing 100% water recycling aquaculture systems in both freshwater and salt water marine environments for over 20 years. The result of the research and development is now referred as “Atoll System” which is owned by the company.

2.2 Corporate Structure



The company has incorporated two new subsidiaries, namely Atoll Trading Limited (Atoll Trade) and Atoll Technology Holdings Limited (Atoll Technology). OCXIH is streamlining its corporate structure and prepare itself for much larger scale of operation. Atoll Tech will provide technological support to customers who using ATOLL system. Atoll Trade will be the trading vehicle for OCXIH.

2.3 Directors and key staff

Dr Chuly Lee – Chairman

Chuly Lee is Chairman and Director of OceanEthix International Holdings Limited and provides oversight to the China and Korea business.

She was the Vice Chairman of the CP Group, a Thai international conglomerate based in Shanghai from 2007 to 2009.

Prior, she was based in Hong Kong for six years as President of Asia Pacific with Towers Watson (TW), a global management consulting firm. During the 15 years with TW, she worked in their New York, Seoul and Hong Kong offices.

Before joining TW, Chuly spent 10 years as a university researcher and lecturer in England and Korea. She received her doctorate from the Institute of Psychiatry, King's College, University of London in Clinical Psychology.

Lloyd Moskalik – Managing Director

Lloyd has been developing the OCXIH business model and commercial process for 10 years.

Formerly an executive director of Watson Wyatt, based in Sydney, Australia, Lloyd is a management consultant with over 10 years experience in commercializing and restructuring corporate and government businesses.

He has also worked for KPMG and Price Waterhouse. His qualifications include a Bachelor of Commerce (accounting and finance), Masters in Business Administration and a Diploma in Civil Engineering.

Derek Condell – Non-Executive Director and Company Secretary,

Derek Condell has been a Director and Company Secretary for a number of private companies and two public companies for over 10 years.

He has an investment banking background, including being a Stock Broker Member of the ASX, bond sales, originator and underwriter, and an investment manager.

He established the business that is today UBS Global Asset Management in Australia. Derek holds a Bachelor of Economics from the University of Sydney, and is a Senior Associate, Financial Services Institute of Australasia (SA Fin), and a Fellow, Australian Institute of Company Directors. He is also a Member and Treasurer of The Institute of Quantitative Research in Finance, Inc.

Brian Wong – Director

Brian Wong is currently executive director of Murchison Holdings Limited and Quest Investments Limited, both companies listed on ASX.

He has over 20 years working experiences in banking, accounting and auditing including at Hang Seng Bank Limited and Citibank Limited. Brian is a fellow of the Association of International Accountants and associate member of the Kong Kong Securities Institute. He holds a Master degree in Accounting bestowed by Curtin University of Australia.

Bernard Chi Keung Li – Director

CK has been an equity analyst with over 20 years working experiences in financial market. In addition to his directorship with the company, he is a director of Hong Kong Finance Training Center, a prestigious financial training school in Hong Kong.

His qualifications include a Master of Engineering Management, certified financial consultant and certified financial planner.

Nicole Kit Hung Tang – Non-Executive Director

Nicole is currently the Chairlady of Focal Creation Group, a privately owned investment group. Before she joined the financial service sector, Nicole was the CEO of her family business, a major importer for well established electronic brands such as Sony and Sharp for the Chinese market.

Nicole has over 10 years working experiences in telecom, IT and investment areas. Ms Tang received her education from Columbia University of Canada.

Nigel Kong Yiu Wong – Non-Executive Director

Nigel is a certified public accountant in Hong Kong. He has over 20 years audit experiences in commercial sector. He is the owner of a consultancy firm, Nigel Wong Company Limited, in Hong Kong.

His qualifications include Fellow of Hong Kong Institute of Certified Public Accountant and Chartered Association of Certified Accountants and member of Hong Kong Tax Institute.

John Zhong – Non-Executive Director

John is an accountant in Sydney. He has over 20 years practical experiences in commercial sector. He is very familiar with Australian and Chinese business environment. He is one of the executive in an Australian based media company.

John holds Bachelor of commerce (International Study) from University of Sydney.

3. Technology Overview

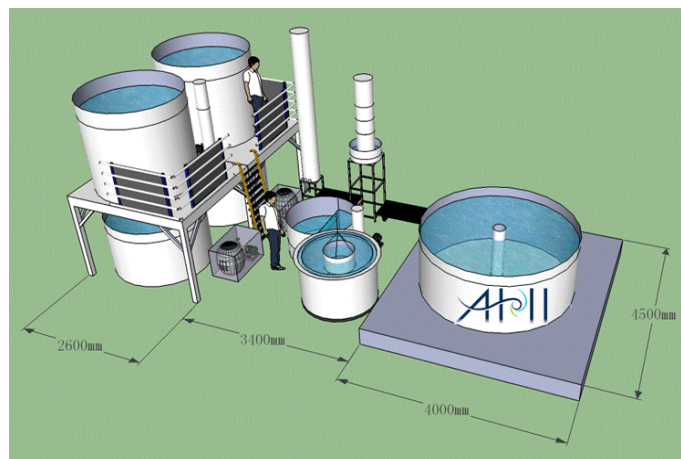
3.1 ATOLL Technology

OCXHL is an Australian company that has owned an innovative 100% water recycling and environmentally sustainable system called ATOLL for the farming, logistics, distribution and storage of live salt water seafood.

The system was developed as a solution to issues challenging live seafood businesses around the world: access constraints to clean sea water, changing weather patterns, spread of disease, and dwindling natural supply.

An ATOLL system combines several tanks, filtering, production and monitoring systems, containing around 18,000 liters of water.

ATOLL has unique features not offered by other global competitors.



3.1 ATOLL System's Unique Features

- A totally self-contained biosphere, which is specifically designed to be built in any location. Due to the closed nature of the system no additional water exchange is required, and therefore, no waste is discharged into the environment making it truly 100% recyclable.

- An enclosed system that is insulated and air-conditioned, designed to eliminate variable factors such as seasons, biological contamination, pollution, predation and adverse weather conditions.
- Fully automated and documented to ISO 9000 quality standards. The system and water purification process are also certified by the Hong Kong Government's Aquaculture and Fisheries Conservation Department (AFCD).
- A modular feature enabling easy assembly and retro-fitting into existing structures near or in urban areas where supply of fresh sea water and removal of waste is difficult, costly and regulated.
- Ability to "stack" modules into vertical farms as demand grows without the need for acquiring additional land
- Efficient and cost effective use of energy

3.2 Type of Live Seafood Stored and Farmed

ATOLL is able to hold a wide variety of live seafood thereby opening up markets from around the world. For example -

- Abalone (Australia, Korea, South Africa)
- Lobster (Canada, USA, Australia, New Zealand, South Africa)
- Prawns (Canada, USA)
- Oysters and Clams (Canada, USA, Australia, Europe)
- Sea Urchins (Canada, Australia)
- Reef fish (Australia, Philippines, Indonesia, Malaysia)

3.3 Operations

The management of OCXHL has, over many years developed 100% water recycling aquaculture systems in both freshwater and salt water marine environments in various locations with a variety of seafood. The production process has been tested, verified and independently audited over several years in HK.

Currently, OCXHL, through its subsidiaries, operates two showroom and demonstration facilities in HK and Shanghai. The HK facility has 11 ATOLL systems operating on the 15th floor of a logistics facility with a holding capacity of 5 to 7 tonnes.

The second facility is in Shanghai, where two ATOLL systems are operating within the Xi Jiao International Fresh Food Logistics Market.

These locations are a key part of the business development process to demonstrate the full potential of ATOLL technology, by piloting projects and testing business assumptions for customers' before they commit to a project

4. Business Overview

4.0 Priority

In terms of priority, OCXHL is focusing on the wholesale and logistics business for immediate cash flow generation and will commence aquaculture projects soon after.

Analysis of the market has identified the following trends:

- Chinese demand for live seafood will continue to outpace current supply; and
- Countries such as Australia, US, Canada, New Zealand, EU, South Africa, are looking to increase their exports of live seafood to Asia, especially China.

OCXHL is targeting investors and operators within the aquaculture and live wholesale markets in North Asia. Live seafood is a premium product in these markets, where current supply is increasingly becoming limited and unpredictable.

To meet the growing market opportunities, many overseas suppliers are looking for a logistical and technical solution that enables them to export live products in large volumes safely and efficiently. Currently, many overseas suppliers deal with local wholesalers with limited storage capacity, constraining them to smaller shipments and reduced economies of scale.

China has seen a tenfold increase over the past few years in demand for imported high value live seafood. This has seen a growth in illegal smuggling activities, which has grown to such an extent, that the Chinese custom authorities have shut down many operations. As a consequence, local and overseas suppliers see a reduction in volumes, and are concerned they can no longer ignore the fact that their products are being smuggled into China illegally and must now look at alternative legal channels to secure their businesses for the long term.

Moreover, many overseas suppliers are also wary of dealing with wholesalers in HK and Mainland China due to unethical business practices such as no check or recourse on disputed claims and high reliance on “grey channel” distribution of products into China. Recent crackdowns by Chinese authorities have undermined markets for exporters and many are looking for a more transparent, efficient and legal channels into China

4.1 Key Strengths of the OCXHL Business Model

- Revenue from initial sale of ATOLL modules
- Ongoing management and maintenance agreements based on volume through put or contract period
- Modular configuration allowing for simple and cost effective capacity expansion
- First mover advantage in the world’s largest market for live seafood, China

4.2 Global Exporters and Suppliers Acquire Through OCXHL

- Wider access to China
- Integrated logistics, storage and distribution solution
- Benefits from economies of scale in dealing with larger shipment rather than multiple smaller shipments
- Opening up new market opportunities for previously unavailable live products

4.3 OCXHL Provides Technology and Experience in High Intensity Farming

- Establishing and operating aquaculture farms in diverse environments with a number of high value species (i.e., Grouper)
- Providing solutions for vertical farm operations in high density urban locations
- Utilizing established distribution channels within the wholesale and logistics industries to take products to market

5. Live Seafood Industry Overview and Regulatory Trends

The management team of OCXHL has developed a strong working knowledge of the live seafood industry and positioning of the company to take advantage of the opportunities in China.

In recent studies there is a clear global and local trend that demand for live seafood will continue to outpace supply. The trend for safe seafood in HK and China is on the increase, as are prices, with consumers demanding the highest quality product with traceability.

Large international importers, distributors, and F&B groups are aware that there will be less regular supply for high value fish (such as red grouper), in the coming years. In anticipation of inconsistent supply, they are looking for alternative long term stable supplies that are sustainable and eco-friendly.

With increasing demand coming from Mainland China, there has been a recent upward spike in prices for seafood that are considered to be of higher quality. Consequently, customers are now demanding that hotels and restaurants provide more information about the seafood they are supplying, a trend that will only increase over time.

To capitalize on this trend, OCXHL is planning to work with established overseas suppliers to brand their product so that consumers can differentiate and associate brand as safe, healthy and traceable sea food with guaranteed quality. The “OCX-ATOLL” logo/process is to be co-promoted as part of the brand extension ensuring products are stored in a safe, healthy and disease free environment.

5.1 Political and Regulatory Issues

Atoll system was established in the Hong Kong market in the wake of SARS, Bird Flu, disease and toxic chemical contaminations of live food from China, and recently the tsunami and nuclear disasters in Japan.

The HK Government, through its agency the AFCD, has implemented a strict monitoring and licensing regime that plays directly to the strengths of Atoll system. The regime involves

- Testing water quality to ensure it is free from disease, heavy metals and toxins
- Banning growth hormones or antibiotics
- Periodic sampling of fish to test for disease
- Encouraging ISO 9000 certification
- Health clearance certification

6. Oceanethix Operational Issue

6.0 Outcomes Achieved Prior to Commercialisation

Objectives	Planned Outcomes	Achieved
Market Presence	<ul style="list-style-type: none"> • Understand the HK and Chinese market environment • Build HK and Chinese business networks • Gain media exposure across China and HK • Gain government support for project 	<p><i>DONE</i></p> <p><i>DONE</i></p> <p><i>DONE</i></p> <p><i>DONE</i></p>
Build Team	<ul style="list-style-type: none"> • Employment of local staff • Training of team • Establish management systems and procedures to ISO9000 	<p><i>DONE</i></p> <p><i>DONE</i></p> <p><i>DONE</i></p>
Gain Approvals	<ul style="list-style-type: none"> • Legal and regulatory compliant • Government approvals 	<p><i>DONE</i></p> <p><i>DONE</i></p>
Logistics	<ul style="list-style-type: none"> • Gain experience in transporting live sea food • Understand Distribution of live product • Establish logistic protocols 	<p><i>DONE</i></p> <p><i>DONE</i></p> <p><i>DONE</i></p>
Testing and demonstration	<ul style="list-style-type: none"> • Conduct market price testing • Conduct taste testing and feedback • Establish market interest • Insure stock at full market value 	<p><i>DONE</i></p> <p><i>DONE</i></p> <p><i>DONE</i></p> <p><i>DONE</i></p>
Build customer base	<ul style="list-style-type: none"> • Establish supplier and customer base • Understand individual requirements • Sales and marketing 	<p><i>DONE</i></p> <p><i>DONE</i></p> <p><i>ONGOING</i></p>

6.1 Quality and Testing

OCXHL has successfully conducted blind taste and quality tests with a large number of potential high quality restaurant and international hotels, with all selecting “OCX” branded seafood as better tasting, having a better texture and healthier appearance, when compared with similar product purchased from the market. The OCXHL process is a value-add to overseas suppliers, as it has allowed them to confidently state that their live seafood stored within our ATOLL systems is Sashimi grade quality.

7. SUMMARY OF EARNINGS

A summary of earnings, on the basis of OCXHL having had a subsidiary (OCXHK) for the last three (3) financial years, showing sales, earnings before charges for depreciation, interest and tax (if any), the amount of each of those charges, net income before extraordinary items, extraordinary items, net income and earnings per share.

Oceanethix International Holdings Limited

Group profits and loss	Audited OCX Period from 9 Nov 2012 - 20 May 13 HKD	Audited OCXHK 2012 HKD	Audited OCXHK 2011 HKD	Audited OCXHK 2010 HKD
Sales	6,327,500	3,326,263	656,506	316,797
Cost of sales	(2,059,424)	(2,912,860)	(189,212)	(289,582)
Gross profits	4,268,076	413,403	467,294	27,215
Other income	72	8,470	1,559	31,960
	4,268,148	421,873	468,853	59,175
Staff and related costs	(186,828)	(1,996,050)	(2,794,548)	(3,100,373)
Occupancy and related costs		(1,190,460)	(1,086,993)	(365,856)
Administrative expenses	(595,245)	(1,436,979)	(1,666,081)	(1,612,320)
Other expenses	(742,536)	(2,212,947)	(5,459,145)	(6,183,396)
	(1,524,609)	(6,836,436)	(11,006,767)	(11,261,945)
Net income before depreciation	2,743,539	(6,414,563)	(10,537,914)	(11,202,770)
Interest expenses and tax				
Borrowing expenses	(645)	(161,255)	(229,968)	(5,299)
Depreciation		(497,520)	(497,520)	(190,583)
Taxation		(173,250)		
Profit (losses) for the period/year	2,742,894	(7,246,588)	(11,265,402)	(11,398,652)

OCXHK = Oceanethix Hong Kong Limited

OCX = Oceanethix International Holdings Limited (Group)

Note: Audited result for OCX covered 9 November 2012 (date of incorporation) to 20 May 2013

8. Risks

The goal of the Directors is to have the right mix of management and equipment to manage risks and where possible implement strategies to mitigate potential impacts on the Company’s operations in risk areas such as those identified below. The Company believes

this to be one of the core strengths of its management team and technology. The risks set out below are not exhaustive and potential investors should read the contents of this Information Memorandum in full.

8.0 Business Risks

OCXIHL, like all companies, is exposed to a range of factors that can affect the performance of its business that are beyond reasonable control. These include changes to macroeconomic conditions, movements in exchange rates and/or interest rates, changes in taxation law and structures, accounting practices, industrial disputes, theft, sabotage and competitor initiatives.

The Company is aware of these risks and has plans prepared to mitigate such. To the extent possible, the Company has also taken or will take, insurance against such business risks if they are considered material.

8.1 Reliance on personnel

OCXIHL's success will ultimately depend on identifying, hiring, training and retaining skilled personnel and senior management and contractors. To mitigate the risk of losing staff and minimising staff turnover, incentive schemes and share ownership programmes are implemented to retain and motivate key staff

8.2 Trading risks

Trading risks include but may not be limited to cash-flow, market penetration and growth. There is the risk that future sales will fail to eventuate or sales and/or revenues will be affected by unforeseen external factors. Such a scenario will impact OCXIHL's potential cash flow position.

To mitigate this risk OCXIHL is endeavoring to enter into maintenance and management agreements with customers.

8.3 Large Scale Commercial operation

Large volumes of live sea food have not been done on a commercial scale proposed by OCXIHL anywhere else in the world before. The Company believes its system is unique however there is a risk that commercial scale production will not be achievable.

To mitigate this, the Directors have committed extensive resource since 2006 to trialing and test all aspects of the process to ensure that risks are properly identified and addressed within commercialisation planning process.

8.4 Investment Risks

- **Compliance listing risks**

Strategies, plans, policies, intentions and expectations outlined in this Information Memorandum may change and may be affected by the financial performance of the Company. Similarly, the future performance of the Company will be affected by the success of this fundraising process.

The proposed / just completed compliance listing for current investors is to list on the National Stock Exchange of Australia. There is a risk that any of these strategies will be delayed and therefore investors may not be able to exit their investment. However, the intention of the Directors is to work towards an exit strategy for investors and have

attempted to mitigate this risk by considering and exploring all options presented to the board.

- **Foreign Exchange & Interest Rate Risks**

The Company's sales will all be made overseas and as such, profit may be subject to the risk of fluctuation in exchange rates. The Company has identified the risk and will utilise appropriate hedging mechanisms if and where appropriate to mitigate the risk of losses resulting from such fluctuations in exchange rates.

The Company will also be seeking to finance development of its facility and hence there may be some exposure to fluctuations in interest rate risk. To the extent capable, the Board will monitor and implement strategies to mitigate the effect of interest rate fluctuations on the Company's financial prospects.

- **Credit Risks**

The Company adopts a prudential approach to providing credit to its customers and will employ existing accounting software that enables it to track its receivables.