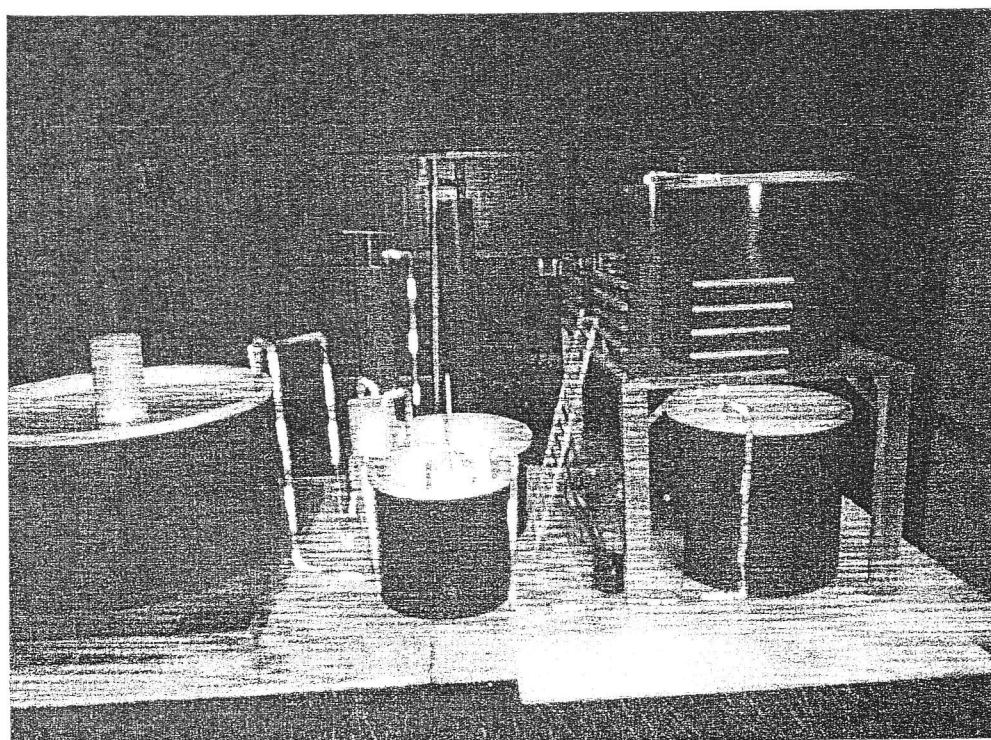


# OCEANETHIX INTERNATIONAL HOLDINGS LIMITED

ACN 161 170 707

FINANCIAL REPORT  
FOR TEN AND HALF MONTHS ENDED  
20<sup>th</sup> MAY 2013



OCEANETHIX INTERNATIONAL HOLDINGS LIMITED

ACN 161 170 707

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OCEANETHIX INTERNATIONAL HOLDINGS LIMITED  
ACN 161 170 707

DIRECTORS' REPORT

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**Your Directors have pleasure in presenting their report on your Company for the past ten and one-half months ended 20<sup>th</sup> May 2013**

The names of the Directors who have held office in the Company at any time during or since 9<sup>th</sup> November, 2012 to date are:

Mr. Brian WONG (Appointed 22<sup>nd</sup> March 2013)

Mr. Jeremy Chun Yu CHEUNG

Mr. Chi Keung Bernard LI

Mr. Sunny Ng (Resigned 22<sup>nd</sup> March 2013)

Ms. Kit Hung Nicole TANG

Mr. Lloyd MOSKALIK (Appointed 28<sup>th</sup> March 2013)

Ms. Chuly LEE (Appointed 28<sup>th</sup> March 2013)

Mr. Derek CONDELL (Appointed 16<sup>th</sup> May 2013)

The above Directors have been in office at some time since the date of incorporation of the Company on 9<sup>th</sup> November 2012 and to the date of this report unless otherwise stated.

This Company entered into a Business Sales Agreement on 1<sup>st</sup> February 2013 with the Directors of Marine Culture Technology Limited ABN 64 111 296 461 (Formerly OceanEthix Limited and domiciled in Australia) to acquire and absorb the business and the assets of its subsidiary OceanEthix Hong Kong Limited, and the intellectual property held by Marine Culture Technology Limited. This was completed on the 14<sup>th</sup> May 2013.

112 million fully paid ordinary shares in the Company were issued to 94 shareholders of Marine Culture Technology Limited in consideration for the business and assets of Marine Culture Technology Limited, giving the shareholders of Marine Culture Technology Limited a 40% interest in the fully diluted share capital. The total number of ordinary shares on issue by the Company increased to 280 Million with a total of 141 shareholders. The Company is applying for a compliance listing on the National Stock Exchange of Australia.

The Company and the absorbed assets, business and intellectual property will be referred to in this Directors Report and the remainder of the Financial Report as "the Group".

The Net Operating Profit of the Group amounted to \$HK 2,742,894.23, after Income Taxes of \$HK Nil for ten and one-half month ended 20<sup>th</sup> May 2013. A review of the operations of the Group during the past ten and half months and the results of those operations found that current assets exceeds current liabilities by \$HK5,038,765.45.

Net Assets or Equity of the Group is a healthy \$HK6,470,433.51 as at 20<sup>th</sup> May 2013

OCEANETHIX INTERNATIONAL HOLDINGS LIMITED  
ACN 161 170 707

DIRECTORS' REPORT

The principal activities of the Group were the trading of live seafood for the purposes of developing the aquaculture and live seafood storage technology and services. The Group is now focusing its efforts on the manufacture, sale and servicing of its ATOLL technology modules and their subsequent servicing.

No Significant change in the nature of these activities occurred during the past ten and half months except for operational changes as outlined above.

The Group's Financial Statements have been prepared on a going concern basis and has received orders for 337 ATOLL systems since 31<sup>st</sup> January 2013, totaling \$US 1,718,700 or \$HK 13, 220,077 in future sales.

No Dividends were paid during or since the date of incorporation and no recommendation is made as to payment of dividends at the date of this report. No options over issued shares or interests in the Group were granted during or since the end of the ten and a half months to 20<sup>th</sup> May 2013, and there were no options outstanding at the date of this report. No capital raisings are proposed or anticipated to take place within three months of listing taking place.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any persons who is or has been an officer or auditor of the Group.


No party has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purposes of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any proceedings during the ten and half months to balance date.

The Group anticipates listing on the National Stock Exchange of Australia will be obtained in the near future. The Director's Report and the Director's Declaration on Page 19 of this Financial Report will be approved and signed off in anticipation that these listing events will actually occur within the near future.

Auditor's Independence Declaration

A copy of the Auditor's, Canning and Co, independence declaration as required under section 30C of the Australian Corporations Act 2001 is included on Page 22.

*Signed in accordance with a resolution of the Board of Directors.*



Mr. Brian WONG

Director



Mr. Lloyd Peter MOSKALIK

Director



OCEANETHIX INTERNATIONAL HOLDINGS LTD  
ACN 161 170 707  
STATEMENT OF COMPREHENSIVE INCOME  
FOR TEN & HALF MONTHS ENDED 20TH MAY 2013

	Note	2013 \$	2012 \$
<b>CLASSIFICATION OF EXPENSES BY NATURE</b>			
Revenues from ordinary activities	2	6,327,659.65	-
Raw materials and consumables used		(1,756,304.01)	-
Employee benefits expense		(202,367.53)	-
Depreciation and amortisation expenses	3	(303,119.88)	-
Borrowing costs expense	3	(644.57)	-
Other expenses from ordinary activities		(1,322,329.43)	-
<hr/>			
<b>Profit from ordinary activities before income tax expense</b>	3	2,742,894.23	-
Income tax expense relating to ordinary activities	4	-	-
<hr/>			
<b>Net profit from ordinary activities after income tax attributable to members of the company</b>	5	2,742,894.23	-
Increase in retained profits on adoption of new Accounting Standards:		-	-
<hr/>			
Total revenues, expenses and valuation adjustments attributable to members of the company recognised directly in equity		2,742,894.23	-
<hr/>			
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		2,742,894.23	-
<hr/>			

The accompanying notes form part of these financial statements.

OCEANETHIX INTERNATIONAL HOLDINGS LTD  
ACN 161 170 707  
BALANCE SHEET  
AS AT 20TH MAY 2013

	Note	2013 \$	2012 \$
<b>CURRENT ASSETS</b>			
Cash assets	6	4,129,847.01	-
Receivables	7	6,786,367.35	-
Inventories	8	348,000.00	-
<b>TOTAL CURRENT ASSETS</b>		<u>11,264,214.36</u>	<u>-</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	1,059,469.06	-
Intangible assets	10	372,208.00	-
<b>TOTAL NON-CURRENT ASSETS</b>		<u>1,431,677.06</u>	<u>-</u>
<b>TOTAL ASSETS</b>		<u>12,695,891.42</u>	<u>-</u>
<b>CURRENT LIABILITIES</b>			
Payables	11	5,423,835.86	-
Financial liabilities	12	173,250.00	-
Other	13	628,372.05	-
<b>TOTAL CURRENT LIABILITIES</b>		<u>6,225,457.91</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>		<u>6,225,457.91</u>	<u>-</u>
<b>NET ASSETS</b>		<u>6,470,433.51</u>	<u>-</u>
<b>SHAREHOLDER'S FUNDS</b>			
Contributed equity	14	19,404,251.65	-
Accumulated losses	5	(12,933,818.14)	-
<b>TOTAL EQUITY</b>		<u>6,470,433.51</u>	<u>-</u>

OCEANETHIX INTERNATIONAL HOLDINGS LTD  
ACN 161 170 707  
STATEMENT OF CASH FLOWS  
FOR TEN & HALF MONTHS ENDED 20TH MAY 2013

	2013 \$	2012 \$
<b>Reconciliation of Cash</b>		
Cash at the end of financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:		
Petty Cash	373.62	-
Deposits on Contracts	757,469.27	-
Cash at Bank	3,372,004.12	-
Closing Cash Assets	<u>4,129,847.01</u>	<u>-</u>
<b>Reconciliation of Net Cash provided by Operating Activities to profit from ordinary activities after Income Tax.</b>		
Operating profit (loss) after income tax	2,742,894.23	-
Non-cash flows in profit from ordinary activities		
Depreciation	303,119.88	-
Non-cash interest and other costs of finance paid	644.57	-
Increase (Decrease) in income taxes payable	173,250.00	-
<b>Non-cash flows in Profit(Loss) from Ordinary Activities:</b>		
<b>Changes in Assets and Liabilities:</b>		
Decrease (Increase) in current inventories	(348,000.00)	-
Increase (Decrease) in trade creditors	239,694.97	-
Decrease (Increase) in accrued charges	61,792.03	-
Decrease (Increase) in other current liabilities	566,580.02	-
Decrease (Increase) in receivables:	(9,579,134.54)	-
Trade Debtors - Shanghai	<u>(698,319.24)</u>	<u>-</u>
Cash flows from operations	<u>(6,537,478.08)</u>	<u>-</u>

The accompanying notes form part of this financial report.

OCEANETHIX INTERNATIONAL HOLDINGS LIMITED  
ACN 161 170 707

STATEMENTS OF CHANGES IN EQUITY  
FOR TEN & HALF MONTHS ENDED 20<sup>TH</sup> MAY 2013

<u>Item</u>	Share Capital <u>HK\$</u>	Accumulated Losses <u>HK\$</u>	Total Equity <u>HK\$</u>
Balance at 30 June 2012	-	(46,461,335.00)	(46,461,335.00)
Total comprehensive profit for the period-	-	2,742,894.23	2,742,894.23
Net settlement purchases adjustments	-	30,784,622.63	30,784,622.63
Issued Shares during the period-Note 14	19,404,251.00	-	19,404,251.00
Issued Shares during the period-Note 14	<u>0.65</u>	<u>-</u>	<u>0.65</u>
Balance at 31 January 2013	<u>19,404,251.65</u>	<u>(12,933,818.14)</u>	<u>6,470,433.51</u>



OCEANETHIX INTERNATIONAL HOLDINGS LIMITED  
ACN 161 170 707

NOTES TO THE FINANCIAL STATEMENTS  
FOR TEN & HALF MONTHS ENDED 20<sup>TH</sup> MAY 2013

**1 Statement of Significant Accounting Policies**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Auditing Standards, Corporations Act 2001 and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report comprises the Statement of Comprehensive Income, Balance Sheet, Statement of Cash Flows, Statement of Changes in Equity and accompanying Notes to the Financial Statements.

This financial report is for the consolidated entity of OceanEthix International Holdings Limited and its subsidiary company, OceanEthix Hong Kong Limited, as an individual economic entity.

OceanEthix International Holdings Limited ACN 161 170 707 is a company limited by shares, Incorporated on 9th November, 2012 and domiciled in Australia.

The financial report has been prepared on an accrual basis and is based on historical costs. It does not take into account changing money values, or except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by this economic entity Group in the preparation of this financial report. The accounting policies adopted have been consistently applied, unless otherwise stated.

The financial statements of the Group have been prepared on a going concern basis as the Directors.

**Income Tax:**

The company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income, are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation, and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**Inventories:**

Inventories are measured at the lower of cost or net realisable value. Costs are assigned on a first-in first-out basis (FIFO) and include direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenses.

**Property, Plant and Equipment:**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, less any accumulated depreciation.

NOTES TO THE FINANCIAL STATEMENTS  
FOR TEN & HALF MONTHS ENDED 20<sup>TH</sup> MAY 2013

**Property:**

Freehold land and buildings are measured on the fair value basis, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. It is the policy of the Group to have an independent valuation made every three years, with annual appraisals being made by Directors.

**Plant and Equipment:**

Plant and equipment items are first recorded and measured on the historical cost basis.

The carrying amount of plant and equipment items are reviewed annually by directors to ensure they are not in excess of the recoverable amount of those assets. The recoverable amount is assessed on the basis of expected net cash flows which will be received from the assets employed and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

**Depreciation:**

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on the straight-line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to a depreciation charge.

The useful life for each class of depreciable asset category are:

Plant & Equipment -	20.0%	straight line basis per annum
Motor Vehicles -	22.5%	straight line basis per annum

Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of these assets and is recognised in the statement of comprehensive income.

**Foreign Currency Transactions and Balances:**

Foreign currency transactions during the period are converted to Hong Kong currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted to the rates of exchange ruling at that date.

The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

The assets and liabilities of overseas controlled entities, which are self-sustaining, are translated at year-end rates and operating results are translated at rates ruling at the end of each month. Gains and losses arising on translation are taken directly to the foreign currency translation reserve.

Exchange differences arising on hedged transactions undertaken to hedge foreign currency exposures, other than those for the purchase and sale of goods and services, are brought to account in the Statement of Comprehensive Income when the exchange rates change. Any material gain or loss arising at the time of entering into hedge transaction is deferred and brought to account in the Statement of Comprehensive Income over the lives of the hedges.

Costs or gains arising at the time of entering hedge transactions for the purchase and sale of goods and services, and exchange differences that occur up to the date of purchase or sale, are deferred and included in the measurement of the purchase or sale.

Gains and losses from speculative foreign currency transactions are brought to account in the Statement of Comprehensive Income when the exchange rate changes.

OCEANETHIX INTERNATIONAL HOLDINGS LIMITED  
ACN 161 170 707

NOTES TO THE FINANCIAL STATEMENTS  
FOR TEN & HALF MONTHS ENDED 20<sup>TH</sup> MAY 2013

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**Employee Benefits:**

Contributions are made by the Group to an employee superannuation (provident) fund and are charged as expenses when incurred in the statement of Comprehensive Income.

**Cash:**

For purposes of the Statement of Cash Flows, cash includes deposits at call with financial institutions and other highly liquid investments with maturity within less than 3 months which are readily convertible to cash on hand at the investor's opinion and are subject to an insignificant risk of changes in value, and borrowings which are integral to the cash management function and which are not subject to a term facility.

**Revenue:**

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of value added taxes (VAT) or goods and services taxes (GST).

Sales income represents the invoiced value of goods sold less returns and discounts.

OCEANETHIX INTERNATIONAL HOLDINGS LTD  
ACN 161 170 707

NOTES TO THE FINANCIAL STATEMENTS  
FOR TEN & HALF MONTHS ENDED 20TH MAY 2013

	2013 \$	2012 \$
<b>2 Revenue</b>		
Operating activities		
Sale of goods	6,327,500.25	-
Interest	159.40	-
	<u>6,327,659.65</u>	<u>-</u>
Interest from:		
Other Corporations	<u>159.40</u>	-
<b>3 Profit from Ordinary Activities</b>		
Profit from ordinary activities before income tax expense has been determined after:		
Expenses:		
Cost of sales	<u>2,059,423.89</u>	-
Borrowing costs		
Interest Paid	644.57	-
Borrowing Costs	-	-
	<u>644.57</u>	<u>-</u>
Total borrowing costs		
Depreciation of non-current assets		
Depreciation - Factory Plant and Equipment	303,119.88	-
Depreciation - Furniture & Fittings	-	-
	<u>303,119.88</u>	<u>-</u>
Total depreciation		
Remuneration of auditors:		
Accounting Standards & Reports	241,263.76	-
	<u>241,263.76</u>	<u>-</u>
Foreign currency translation		
Foreign Currency Exchange Loss	10,483.42	-
<b>4 Income Tax Expense</b>		
Income tax expense attributable to:		
Profit from ordinary activities before income tax.	<u>-</u>	<u>-</u>



OCEANETHIX INTERNATIONAL HOLDINGS LTD  
ACN 161 170 707

NOTES TO THE FINANCIAL STATEMENTS  
FOR TEN & HALF MONTHS ENDED 20TH MAY 2013

	2013 \$	2012 \$
<b>5 Retained Profits</b>		
Retained profits (accumulated losses) at the beginning of the financial year	(46,461,335.00)	-
Net profit attributable to members of the company	2,742,894.23	-
Retrospective adjustment(s) upon Completion of Business Purchase Settlement	30,784,622.63	-
	<u>                    </u>	<u>                    </u>
Retained profits (accumulated losses) at the end of the financial year	(12,933,818.14)	-
	<u>                    </u>	<u>                    </u>
<b>6 Cash Assets</b>		
Petty Cash	373.62	-
Deposits on Contracts	757,469.27	-
Cash at Bank	3,372,004.12	-
	<u>                    </u>	<u>                    </u>
	4,129,847.01	-
	<u>                    </u>	<u>                    </u>
<b>7 Receivables</b>		
CURRENT		
Trade Debtors - Hong Kong	9,579,134.54	-
Less Unearned Income	(3,491,086.43)	-
	<u>                    </u>	<u>                    </u>
	6,088,048.11	-
	<u>                    </u>	<u>                    </u>
Other debtors	698,319.24	-
	<u>                    </u>	<u>                    </u>
	6,786,367.35	-
	<u>                    </u>	<u>                    </u>
<b>8 Inventories</b>		
CURRENT		
Livestock on Hand - Hong Kong	296,400.00	-
Livestock on Hand - Shanghai	51,600.00	-
	<u>                    </u>	<u>                    </u>
	348,000.00	-
	<u>                    </u>	<u>                    </u>
<b>9 Property, Plant and Equipment</b>		
<b>Land and Buildings</b>		
Leasehold Installations (At Cost)	104,394.00	-
Less: Accumulated Amortisation	(104,394.00)	-
	<u>                    </u>	<u>                    </u>
	-	-
	<u>                    </u>	<u>                    </u>

OCEANETHIX INTERNATIONAL HOLDINGS LTD  
ACN 161 170 707

NOTES TO THE FINANCIAL STATEMENTS  
FOR TEN & HALF MONTHS ENDED 20TH MAY 2013

	2013 \$	2012 \$
<b>Plant and Equipment</b>		
Plant & Equipment (At Cost)	3,448,315.65	-
Less: Accumulated Depreciation	(2,388,846.59)	-
	<u>1,059,469.06</u>	<u>-</u>
Motor Vehicles (At Cost)	90,000.00	-
Less: Accumulated Depreciation	(90,000.00)	-
	<u>-</u>	<u>-</u>
<b>Total Plant and Equipment</b>	<u>1,059,469.06</u>	<u>-</u>
<b>Total Property, Plant and Equipment</b>	<u>1,059,469.06</u>	<u>-</u>

**Movements in Carrying Amounts:**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current period.

Asset Item	Plant and Equipment \$	Motor Vehicles \$	Leasehold Installati ons \$	Total As at 20 <sup>th</sup> May 2013 \$	Total As at 20 <sup>th</sup> May 2012 \$				
Opening cost balances	3,448,316	90,000	104,394	3,642,710	-				
Less deprecia- tion	(2,388,847)	(90,000)	(104,394)	(2,583,241)	-				
Closing Balances	<u>1,059,469</u>	<u>-</u>	<u>-</u>	<u>1,059,469</u>	<u>-</u>				

**10 Intangible Assets**

Listing Costs	372,208.00	-
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**11 Payables**

CURRENT		
Trade Creditors	239,694.97	-
Convertible Loan	4,532,358.06	-
Loan Accounts -Other (Unsecured)	651,782.83	-
Totals	<u>5,423,835.86</u>	<u>-</u>

OCEANETHIX INTERNATIONAL HOLDINGS LTD  
ACN 161 170 707

NOTES TO THE FINANCIAL STATEMENTS  
FOR TEN & HALF MONTHS ENDED 20TH MAY 2013

	2013 \$	2012 \$
<b>12 Tax Liabilities</b>		
CURRENT		
Provision for Income Tax	173,250.00	-
<b>13 Other Liabilities</b>		
CURRENT		
Accrued Interest Charges Payable	149,500.00	-
Accrued Charges	61,792.03	-
Accrued Expenses - Shanghai Office	417,080.02	-
	<u>628,372.05</u>	<u>-</u>
<b>14 Contributed Equity</b>		
<b>Paid Up Capital:</b>		
280,000,000 Ordinary shares	19,404,251.65	-
<b>15 Remuneration and Retirement Benefits</b>		
<b>Directors' Remuneration :</b>		
Income paid or payable to all directors of the company by the company and any related parties -	-	-
Number of directors whose income from the company or any related parties was within the following bands :	-	-
	<u>No.</u>	<u>No.</u>
There were no Directors Paid		
Directors Fees to date.	-	-
The names of Directors who have held office during the last ten and one half months to 24 May 2013 are :		
Mr Brian WONG		
Mr Jeremy Chun Yu CHEUNG		
Mr Chi Keung Bernard LI		
Mr Sunny NG		
Ms Kit Hung Nicole TANG		
Mr Lloyd MOSKALIK		
Ms Chuly LEE		
Mr Derek CONDELL		

OCEANETHIX INTERNATIONAL HOLDINGS LTD  
ACN 161 170 707

NOTES TO THE FINANCIAL STATEMENTS  
FOR TEN & HALF MONTHS ENDED 20TH MAY 2013

2013	2012
\$	\$

**Retirement and Superannuation Payments:**

Amounts of a prescribed benefit given during year by the company or a related party to a director or prescribed superannuation fund in connection with the retirement from a prescribed office

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**16 Segment Reporting**

OceanEthix International Holdings Limited conducts its trading activities in Australia, Hong Kong, the Peoples Republic of China and South Korea.

**17 Contingent Liabilities**

On 1<sup>st</sup> February 2013 Focal Creation Group limited and Marine Culture Technology Ltd (formerly OceanEthix Limited) signed a sale of business agreement. Focal Creation Group limited incorporated a new holding company in Australia, OceanEthix International Holdings Limited, to absorb all assets, businesses, contracts and intellectual property previously owned by marine Culture Technology limited. The sale of business agreement does not transfer any liabilities from Marine Culture Technology limited. In the opinion of the Directors, there is no provision for liabilities provided in the accounts. Focal creation Group Limited has provided a warranty to Marine Culture Technology Limited to exempt it for any liabilities associated with the sale of business agreement. Since the warranty is not associated with this Group, in the opinion of the Directors, no provision for contingent liabilities is required.

**18 Post Balance Date Events**

Subsequent to the balance date of 20<sup>th</sup> may 2013 and the date of the Sales of Business Agreement, the company has incorporated two new subsidiary companies, Atoll Trading Limited and Atoll Technology Holdings Limited.

Atoll Trading limited and Atoll Technology Holdings Limited have signed agreements with Ocean Ethix Hong Kong Limited to take over the contracts, plant and equipment, intellectual property and other assets which were held by OceanEthix Hong Kong Limited. On the completion of transferring all assets, OceanEthix Hong Kong limited was then transferred back to Marine Culture Technology Limited.



## 19 Litigation

There are no known legal proceedings against the Group at balance date and to date.

## 20 Financial Risk Management

The Group's activities are exposed to a variety of financial risks as follows:-

### (a) Interest rate risk:

The Group has no significant interest- bearing assets and it also has fixed Interest- bearing liabilities.

### (b) Credit risk:

The Group has no significant concentrations of credit risk.

### (c) Fair value:

The fair values of cash and bank balances, trade and other receivables, trade and other Payables.

### (d) Liquidity risk:

As of the end of reporting, the Group had sufficient current assets to meet it's current liabilities and the Directors consider there were no liquidity problems.

It is the Group's policy to regularly monitor current and expected liquidity requirements in both short and longer terms.

### (e) Foreign exchange risk:

Foreign exchange risk arises where future commercial transactions, recognised assets and liabilities are denominated in a currency that are not the Group's functional currency. Foreign exchange risk arises from amount due to OceanEthix Limited, and loan payable, which are denominated in Australian dollars and United States dollars.

## 21 Capital Risk Management

The Group's objective of managing capital is to safeguard the Group's ability to continue as going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group's actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policies.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or raise new debts, or sell assets to reduce debt.

## 22 Significant Trading Events Since Balance Date

The Group has since balance date received orders to supply 337 seafood aquaculture modules totalling about USD\$1,718,700 over the next three years. The group received orders for 20 modules from customers in the Republic of China; 300 modules from customers in South Korea; 17 modules from a customer in Hong Kong Airport.

## 23 Group Contact Details

### OceanEthix International Holdings Limited

Business & Registered Office Address:

4 Russell Avenue, Frenchs forest, NSW, 2086 Australia

Telephone: 61 2 9975 6155

Fax: 61 2 9975 5966

Website: [www.oceanethix.com](http://www.oceanethix.com)

### Hong Kong Office:

Level 15/F, Goodman Sha Tin logistics Centre 11,6 Wong Chuk Yeung St, Fo Tan, Hong Kong

Telephone: (852) 2898 7808

Fax: (852) 2898 7808

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OCEANETHIX INTERNATIONAL HOLDINGS LIMITED

ACN 161 170 707

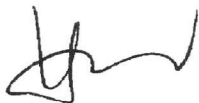
DIRECTORS' DECLARATION

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The Directors of the Group declare that:

1. The financial statements and notes are in accordance with the Australian Corporations Act 2001 and they:
  - (a) Comply with Australian Approved Accounting Standards and the Corporations Regulations 2001; and,
  - (b) Give a true and fair view of the financial position as at 31<sup>st</sup> January 2013 and of the performance for seven months ended on that date of the Group;
2. In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Director .....  
Mr Brian WONG



Director .....  
Mr Lloyd Peter MOSKALIK

Dated this 17th Day of July, 2013

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF

OCEANETHIX INTERNATIONAL HOLDINGS LIMITED  
ACN 161 170 707

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Scope

The financial report and directors' responsibility.

The financial report comprises the Statement of Comprehensive Income, Balance Sheet, Statement of Cash Flows, Statement of changes in Equity and accompanying notes to the financial statements and the directors' declaration for OceanEthix International Holdings Limited and its proposed subsidiary OceanEthix Hong Kong Limited ("the Group") for the year ended 31st January 2013.

The directors of the Group are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order to express an opinion to the members of the Group. My audit was conducted in accordance with Australian Approved Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

I performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Group's financial position, and of its performance as represented by the results of its operations and cash flows.

I formed my audit opinion on the basis of these procedures, which included:

- examining the audit procedures of the subsidiary company's auditors in Hong Kong;
- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and,
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Whilst I considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of my procedures, my audit was not designed to provide assurance on internal controls nor the likely success of any future trading activities or adherence to the listing compliance obligations and responsibilities of the Group. In addition, my audit was confined to the financial statements only and not to any non-financial statements, reports, notes to the financial statements or other information.

Independence

In conducting my audit, I followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC class order No.05/83, I declare to the best of my knowledge and belief that the auditors independence declaration has not changed as at the date of providing my audit opinion.

Audit commentary:

My audit opinion is attached to an application for the Group to obtain listing on the National Stock Exchange of Australia ("listing"). OceanEthix International Holdings Limited has not yet commenced trading activities in its own right at the reporting date of 2013.



INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF

OCEANETHIX INTERNATIONAL HOLDINGS LIMITED  
ACN 161 170 707

OceanEthix Hong Kong Limited's 'Financial Report' was independently audited in Hong Kong by YCA Partners CPA Limited ("YCA"), Certified public Accountants. YCA made the following comments in their Independent Review Report (dated 28<sup>th</sup> March, 2013) in respect to the proposed subsidiary company for seven months ended 31<sup>st</sup> January 2013:

**'Basis for Qualified Conclusion**

The Company has not provided the comparative figures which are not in accordance with the Paragraph 20 of Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**Conclusion**

Based on our review with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the interim financial statements is not prepared, in all materials respects, in accordance with the financial position of the entity as at 31 January 2013, and of its financial performance and its cash flows for the period from 1 July 2012 to 31 January 2013 in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

Audit Opinion

In my opinion, after considering the above comments, the financial report of OceanEthix International Holdings Limited and its former subsidiary company OceanEthix Hong Kong Limited ("the Group") is in accordance with:


(a) The Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 20<sup>th</sup> May 2013 and of their performance for ten and half months ended on that date; and,
- (ii) complying with Australian Approved Accounting Standards in Australia and the Corporations Regulations 2001; and,

(b) Other mandatory Australian professional reporting requirements.

Name of Firm:

  
**CANNINGS & CO**  
CHARTERED ACCOUNTANTS

  
Name of Auditor: Mr Jeffrey D Cannings, FCA, CTA  
Registered Company Auditor

Dated this 17 Day of July, 2013

Address: Level 1, 1A Sydenham Road, Brookvale, NSW, 2100 Australia  
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Email: [jcannings@canningsandco.com.au](mailto:jcannings@canningsandco.com.au)

OCEANETHIX INTERNATIONAL HOLDINGS LIMITED

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C  
OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF OCEANETHIX INTERNATIONAL HOLDINGS LIMITED

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I declare that, to the best of my knowledge and belief, during ten and half months ended 20<sup>th</sup> May 2013 there have been:

- (i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and,
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.

Name of Firm:

*Cannings & Co*  
**CANNINGS & CO**  
CHARTERED ACCOUNTANTS

Name of Partner: Mr Jeffrey D Cannings, FCA,CTA  
Registered Company Auditor

Dated this 17th Day of July 2013

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