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OceanEthix International Holdings Limited

ACN 161 170 707

Annual Report

For the Financial Year Ended 30 June 2014

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COMPANY PARTICULARS

Directors

Chuly Lee – Non Executive Chairman

Brian Wong – Managing Director

Derek Condell – Non-Executive Director

Nigel Wong – Executive Director

Nicole Kit Hung Tang – Non-executive Director

John Zhong – Non-executive Director

Company Secretary

Derek Condell

Chief Financial Officer

Nigel Wong

Auditor

Group Auditor in Australia

Jeffrey D Cannings
Cannings & Co
Level 1, 1A Sydenham Road,
Brookvale,
NSW 2100, Australia

Auditor for the subsidiaries in Hong Kong

Tony Chan & Company
Room 2001,
20/F Easey Commercial Building,
253 – 261 Hennessy Road,
Wan Chai,
Hong Kong.

Legal Advisor to the Company

Mr. John Dick
Level 5 North Building
333 Collins Street,
Victoria 3000, Australia

Registered Office

Level 1, 1A Sydenham Road,
Brookvale,
NSW 2100
Australia

Head Office

Hong Kong
Level 15, Goodman Shatin
Logistics Centre
6 Wong Chuk Yeung Street
Fo Tan, Hong Kong

Tel +852 2870 2847

Bankers

Wing Hang Bank Limited
161 Queen's Road Central
Hong Kong

HSBC
29 Queen's Road, Central
Hong Kong

Nominated NSX Advisor

Collins Street Group Pty Ltd
Level 13
350 Collins Street
Melbourne, Victoria 3000
Australia

CHAIRMAN'S STATEMENT

Dear Shareholders,

OceanEthix successfully concluded its first full fiscal year in 2014, and grew our revenues by 23% and profits by 6%. Although it was still very much a year of transition, we made progress in several fronts. Our solid business results in 2014 were achieved as we continued to strengthen our core capabilities and technology improvements. Some business high lights included:

- Expanding geographical reach by granting a Singapore country license early in the year
- Working with multiple distributors, producers and exporters of live seafood from HK, China to Australia
- Experimenting with different farming and storage species (i.e. Red Coral Trout, fresh water fin fish, shell fish)
- Upgrading HK facility
- Project management to build a new Shanghai holding facility close to Pudong International Airport
- Assessing the build-out of distribution and storage centers in land locked Chinese cities in conjunction with local city governments and private enterprises
- Providing technical advice and project planning for a large scale farming proposal in a Middle Eastern country

Throughout the year, much effort was given to expanding our network of distributors, exporters and producers in order to better understand and anticipate customer needs which included the ultimate end consumer. Equal care was also given to differentiate OceanEthix as an exemplary business partner with various government entities to ensure proper import and distribution of premium live seafood into China using our technology.

On the management side, we bade farewell to Lloyd Moskalik when he stepped down as Managing Director to be replaced by Brian Wong in August. Lloyd will continue on as General Manager, Projects in charge of all matters related to the maintenance and development of the technology. We are grateful to Lloyd for his undying enthusiasm and vision for the company. The management change was implemented at the end of the first fiscal year as part of a transition plan in agreement with the majority shareholder at the time of listing. Prior to becoming the new Managing Director, Brian Wong served as the company CFO with a shared vision for the company. He is a seasoned executive and we are confident he will continue to drive our strategic plan and maintain a strong momentum. On the staffing side, internal capacity was enhanced by adding few more technical hires in HK.

Within the context of our growth strategy, our framework remains unchanged – commitment to continuous improvements and innovations in services and application of the technology. Looking into the year ahead, we will need to focus on specific areas that will help ensure stable growth for the future.

- Convert more opportunities into solid projects.
- Continue supporting and working with country license partners to help establish their businesses.
- Strengthen relationship with customs, regulatory bodies and other associations
- Train and recruit staff

We will face new challenges in the months ahead, as we also seek out new opportunities. Our small but dedicated team is driven and bound by integrity and building a business to be proud of. Once more, I thank our partners, shareholders, and customers for entrusting us with your support.

Chuly Lee

Chairman

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CORPORATE GOVERNANCE STATEMENT

OceanEthix International Holdings Limited's Corporate Governance Arrangements

The objective of the Board of Oceanethix International Holdings Limited is to create and deliver long-term shareholder value through a range of activities. While each area of the company's business activities holds significant value and makes a substantial contribution towards achieving the Board's objective, management of the synergies arising from the interrelations between the various business activities is critical to achieving the objective of creating and delivering long-term shareholder value.

The Board considers there to be an unambiguous and positive relationship between the creation and delivery of long-term shareholder value and high-quality corporate governance. Accordingly, in pursuing its objective, the Board has committed to corporate governance arrangements that strive to foster the values of integrity, respect, trust and openness among and between board members, management, employees, and customers.

Oceanethix International Holdings Limited and its subsidiaries operate as a single economic entity with a unified Board and management. As such, the Board's corporate governance arrangements apply to all entities within the economic group.

Oceanethix International Holdings Limited is listed on the National Stock Exchange (NSX). Accordingly, unless stated otherwise in this document, the Board's corporate governance arrangements comply with current standards of best practice for the entire financial year ended 30 June 2014.

Board Composition

The Board comprises 6 directors, 4 of them are non-executive and meet the Board's criteria to be considered independent. The names of the non-executive and independent directors are:

- Dr Chuly Lee Non Executive
- Derek Condell Non Executive
- John Zhong Non Executive
- Nicole Kit Hung Tang Non Executive

The independent directors are non-executive directors who are not a member of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment. For a director to be considered independent, they must meet all of the following materiality thresholds:

– Not hold, either directly or indirectly through a related person or entity, more than 10% of the company's outstanding shares;
– Not benefit, either directly or through a related person or entity, from any sales to or purchases from the company or any of its related entities; and
– Derive no income, either directly or indirectly through a related person or entity, from a contract with the company or any of its related entities.

A complete listing of the Board's directors for the year ended 30 June 2014, along with their biographical details, is provided in the directors' report.

The Board considers that the current board composition reflects an appropriate balance between executive and non-executive directors that promotes both the generation of shareholder value and effective governance.

The Board also considers that the current board composition reflects an appropriate balance of skills, expertise and experience to achieve its objective of creating and delivering long-term shareholder value. The diverse range of business activities the company is involved in necessitates the Board having a correspondingly diverse range of skills, experience and expertise.

Notwithstanding the fact that the Board considers its current composition to be appropriate, it has in place an active program for assessing whether individual directors and the Board as a whole have the skills and knowledge necessary to discharge their responsibilities in accordance with the Board's governance arrangements. Any deficiencies identified by this program can be addressed in a number of ways, including training and the employment of specialist staff. Details of the skills, expertise and experience of each director are provided in the directors' report.

Ethical Standards

The Board is committed to its core governance values of integrity, respect, trust and openness among and between board members, management, employees and customers.

The Code of Conduct applies to all directors and employees of Oceanethix International Holdings Limited and its Controlled Entities ("OCX and its Controlled Entities") and requires all of them to comply with the terms thereof as the same may be varied from time to time by the Board of Directors.

- Should act honestly, in good faith and in the best interests of OCX and its Controlled Entities as a whole;
- Should exercise care and diligence in fulfilling the functions of office and exercising the powers attached to that office;
- Should use the powers of office for a proper purpose, in the best interests of and its Controlled Entities as a whole;
- Should recognize that the primary responsibility to OCX and its Controlled Entities as a whole but may, where appropriate, have regard to the interest of other stakeholders;
- Should not make improper use of information acquired as a director or employee (as the case may be);
- Should not make improper advantage of the position of director or employee (as the case may be);
- Should properly manage any conflict with the interests of OCX and its Controlled Entities;
- Should be independent in judgment and action and take all reasonable steps to be satisfied as to the soundness of all decisions taken by the board of directors, the director or the employee (as the case may be)
- Should not disclose confidential information received by the director or the employee (as the case may be) in the course of the exercise of his/her duties and ensure that the same remains the property of the company from which it was obtained and not improperly disclose it, or allow it to be disclosed, unless that disclosure has been authorized by that company, or the person from whom the information is provided, or is required by law;
- Should not engage in conduct likely to bring discredit upon OCX and its Controlled Entities
- Should report and assist with the investigation of unlawful and unethical behaviour of a director or employee;
- Comply with the Share Trading Policy of OCX; and
- Should, at all times, comply with the spirit, as well as the letter, of the law and with the principles of the Code.

Directors are obliged to be independent in judgment and ensure all reasonable steps are taken to ensure that the Board's core governance values are not compromised in any decisions the Board makes.

Diversity Policy

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The company is committed to diversity and recognizes the benefits arising from employee and board diversity and the importance of benefiting from all available talent.

This diversity policy outlines requirements for the Board to develop measurable objectives for achieving diversity, and annually assess both the objectives and the progress in achieving those objectives. Accordingly, the Board has developed the following objectives regarding gender diversity and aims to achieve these objectives over the next 3 years as director and senior executive positions become vacant and appropriately qualified candidates become available.

	2014		2013	
	No.	%.	No	%
Women on the Board	2	33	2	25
Women in senior management roles	1	25	1	25
Total Women employees in the company	3	27	3	27

Share Ownership and Share Trading Policy

Details of directors' individual shareholdings in Oceanethix International Holdings Limited are provided in the Notes to the Financial Statements relating to "Interest of Key Management Personnel" (Note 5)

The Board's policy regarding directors and employees trading in Oceanethix International Holdings Limited shares is set by the management committee. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the company's share price

Directors and key management personnel (KMP) are prohibited from limiting risk attached to incentives paid in the form of options or rights by use of derivatives or other means.

Board Committees

To facilitate achieving its objectives, the Board has established the Audit Committee and the Remuneration Committee. The Committees have a formal Charter that outlines the committee's roles and responsibilities, and the authorities delegated to it by the Board.

Audit Committee

Directors Chuly Lee and Brian Wong perform the functions carried out by an audit committee which operates under a Charter approved by the Australian Institute of Company Directors.

Remuneration Committee

Directors Chuly Lee and John Zhong perform the functions carried out by a remuneration committee which operates under a Charter approved by the Australian Institute of Company Directors.

Performance Evaluation

The Board assesses its performance and the performance of individual directors annually through internal peer review processes. Directors' individual performances are also evaluated each year. The Board also formally reviews its governance arrangements on a similar basis annually.

Performance evaluations for individual directors and the Board were conducted during the reporting period ended 30 June 2014.

The annual performance evaluation of the Board and board members for the year ended 30 June 2014 was conducted by the Board.

Board Roles and Responsibilities

The Board is accountable to the shareholders for creating and delivering shareholder value through governance of the company's business activities. The discharge of these responsibilities is facilitated by the Board delivering to shareholders timely and balanced disclosures about the company's performance.
The Board is first and foremost accountable to provide value to its shareholders through delivery of timely and balanced disclosures.

The Board has delegated to the Chairman, Chuly Lee, all authorities appropriate and necessary to achieve the Board's objective to create and deliver long-term shareholder value.

Notwithstanding these delegations of authority by the Board, the Chairman remains accountable to the Board for the authority delegated to her and for the performance of the company's business activities at all times. As noted above, the

Board regularly monitors the decisions and actions of the Chairman as well as the performance of the company's business activities.
The Chair is responsible for ensuring individual directors and the Board as a whole complies with both the letter and spirit of the Board's governance arrangements. The Chair discharges her responsibilities in a number of ways, primarily through:

- Setting agendas in collaboration with other directors:
- Encouraging critical evaluation and debate among directors;
- Bringing to the attention of all directors all critical matters and that the same are given sufficient attention; and
- Communicating with stakeholders as and when required.

Independent directors have the right to seek independent professional advice on any matter connected with the discharge of their responsibilities as directors at the company's expense. Written approval must be obtained from the Chair prior to incurring any expense on behalf of the company.

Shareholder Rights
Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution and receipt of annual financial statements. The Board encourages shareholders to attend and participate in the Annual General Meetings of Oceanethix International Holdings Limited, to lodge questions to be responded by the Board and/or the Chairman, and are able to appoint proxies.

Risk Management
The Board considers identification and management of key risks associated with the business as vital to creating and delivering long-term shareholder value.
The main risks that could negatively impact on the performance of the company's business activities include:

- Failure of any of the major contracts that the company or its subsidiaries have entered into
- Operational failure of the modules, and
- China laws and regulations that might be introduced with negative consequences for the companies establishing modules in China.

An assessment of the business's risk profile is undertaken and reviewed by the Board in November to January each year covering all aspects of the business from the operational level through to strategic level risks. The chairman has been delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight. The effectiveness of these controls is monitored and reviewed regularly. The uncertain economic environment has emphasised the importance of managing and reassessing its key business risks.

In addition to their regular reporting on business risks, risk management and internal control systems, the Chairman and Chief Financial Officer also provide the Board with written assurance that the directors' declaration provided with the annual report is founded on a sound system of risk management and internal control, and that this system is operating effectively in all material respects in relation to the financial reporting risks. This assurance is provided prior to the meeting at which the directors are due to authorise and sign the company's financial statements.

Remuneration Policy

The Board expects that the remuneration structure implemented will result in the company being able to attract and retain high-calibre executives to manage the company and its business activities. It will also provide executives with the necessary incentives to work to achieve long-term shareholder value.

The payment of options is reviewed by the Remuneration Committee of the Board annually as part of the review of executive remuneration. Options and incentives must be linked to predetermined performance criteria. The Board can exercise its discretion in relation to approving options. Any changes must be justified by reference to measurable performance criteria.

DIRECTORS' REPORT

Your directors present their report, together with the financial statements of the Group, being the company and its controlled entities, for the financial period ended 30 June 2014

Principal Activities and Significant changes in Nature of Activities

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, and implementing contracts to supply ATOLL modules for seafood storage and farming. The Group is focusing its efforts on the manufacture, sale and servicing of its ATOLL technology modules and their subsequent servicing.

Oceanethix 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.

The market 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.

Oceanethix is developing its operations in 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.

There were no significant changes in the nature of the consolidated group's principal activities during the financial year.

Operating Results

The consolidated profits of the consolidated group amounted to HKD2,723,190 after providing for income tax and eliminating non-controlling interests. Further discussion on the Group's operations now follows.

Review of Operations

The operations are based in Hong Kong and Shanghai, with revenues being developed from the following areas:

- Sale of Livestock;
- Design and Construct Contracts; and
- Maintenance and Management Contracts.

Sale of live stock

Majority of sales are generated in Shanghai, with only minor sales in Hong Kong. The main purpose of these sales has been to develop a good understanding of the live seafood wholesale market and to be able to sell technology into it.

Design and Construct projects

A number of agreements and memorandums of understanding have been signed, from which deposits and design fees have been received. Many of these projects are still in the design phase, with construction to start later in the year. On the completion of the construction phase, a maintenance and management agreement will be put in place, where OceanEthix technical staff will remain on site.

DIRECTORS' REPORT (CONT'D)

Maintenance and Management contracts

Within the existing facilities in Hong Kong and Shanghai, a number of wholesalers and importers are currently storing product in our facilities, for which we receive revenue in the form of management agreements for the provision of our systems and maintaining water quality.

The Hong Kong facility located in Fo Tan is primarily a showroom and testing facility, and as mentioned above, providing storage space to wholesalers for their products.

In Shanghai, the facility is located at the Xi Jiao International Fresh Market Distribution Centre, and used to operate trading, storage for wholesalers, and to show case the technology to live seafood wholesale market operators.

Financial Position

The net assets of the consolidated group are positive for the period ended 30 June 2014. The directors believe the Group is in a healthy and stable position to develop and expand its current operations.

Significant Changes in State of Affairs

There was no significant change in the state of affairs of the parent entity during the financial year.

Dividends Paid or Recommended

No dividends were paid or declared during the year.

After Balance Date Events

During the year, Oceanethix has granted a country license to a Singapore based company ("the company"). Subject to the agreement, Oceanethix will do a share swap with the investment group. On the completion of the share swap, Oceanthix will hold not more than 5% issued shares of the company and the company will hold less than 10% issued shares of Oceanethix. The whole transaction will be completed on or before 31 December 2014.

Future Developments, Prospects and Business Strategies

The business strategy is to provide ATOLL technology across the global live seafood supply chain from source to end customers in China.

Source customers include, but not limited to, aquaculture farmers world-wide and live seafood exporters who wish to move their products live in to China. Within China, our target market includes wholesalers and importers requiring a logistical solution to distribute products across China from the coast to inland areas.

In addition to the logistical solution, the aquaculture industry in China is a large opportunity for Oceanethix to provide ATOLL technology where access to clean seawater is limited. ATOLL opens up new inland areas for production previously not considered suitable for salt water aquaculture, and away from the crowded and polluted coast line to meet growing demand for seafood.

Specifically, Oceanethix is targeting;

- International and domestic airport cargo handling facilities to build holding facilities and to cater for this growing trade.
- Chinese corporations to build aquaculture and distribution centres across China
- Asian countries, via joint venture and technology licensing agreements, to build farming and logistics centres

It is intended to conduct global marketing campaigns to identify customers, through

- Regional seafood expos
- Government and industry trade delegation

Currently, Oceanethix pipeline include several potential projects, with a number of projects underway, which will all have ongoing maintenance and management agreements providing ongoing revenue.

DIRECTORS' REPORT (CONT'D)

For Oceanethix to deliver beyond what is already committed, The Board would need to decide whether it would require raising further capital or finance from retained profits. The Board is expected to make a decision on this toward the end of this year.

Environmental Issues

The consolidated group's operations are not regulated by any significant environmental regulation under law of Hong Kong and China.

Information on Directors

Chuly Lee	– Chairman
Qualifications	– Doctorate in Clinical Psychology, Institute of Psychiatry, University of London, England
Experience	– 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 Watson Wyatt Company (now Towers Watson), a global managing consulting firm. During the 15 year tenure with TW, she worked in New York, Seoul and Hong Kong offices. Before joining TW, Chuly spent 10 years as a University researcher and lecturer in England and Korea.
Interest in Shares and Options	– 11,285,957 Ordinary Shares and 6,900,000 share options in Oceanethix International Holdings Limited.
Directorships held in other listed entities during the years prior to the current year	– Nil
Lloyd Moskalik	– Managing Director (Resigned on 21 August 2014)
Qualifications	– Bachelor of Commerce (accounting and finance), Master in Business Administration and a Diploma in Civil Engineering.
Experience	– Formerly an executive director Watson Wyatt based in Sydney, Australia, Lloyd is a management consultant with over 10 years experiences in commercialising and restructuring corporate and government businesses. He has also worked for KPMG and Price Waterhouse. Lloyd has been developing the business model and commercial process for 10 years and is now the Managing Director.
Interest in Shares and Options	– 13,506,163 Ordinary Shares and 6,900,000 share options in Oceanethix International Holdings Limited.
Directorships held in other listed entities during the years prior to the current year	– Nil
Brian Wong	– Managing Director (Appointed on 21 August 2014)
Qualifications	– Fellow of the Association of International Accountants, Associate member of the Hong Kong Securities Institute and Master degree in Accounting, Curtin University of Australia.
Experience	– Brian Wong is currently the 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.

DIRECTORS' REPORT (CONT'D)

Interest in Shares and Options	– 12,720,000 Ordinary Shares and 3,450,000 share options in Oceanethix International Holdings Limited.
Directorships held in other listed entities during the years prior to the current year	– Murchison Holdings Limited and Quest Investments Limited
Nicole Kit Hung Tang	– Director
Qualifications	– Received her Degree from Columbia University of Canada.
Experience	– Nicole is currently the Chairlady of Focal Creation Group, a private owned investment group. Before she joined the financial service sector, Nicole was the CEO of her family business. Her family business is the major importer for some famous electronic brands such as Sony and Sharp for China market. Nicole has over 10 years working experiences in telecom, IT and investment areas
Interest in Shares and Options	– 10,500,000 Ordinary shares and 300,000 share options in Oceanethix International Holdings Limited.
Directorships held in other listed entities during the years prior to the current year	– Nil
Derek Condell	– Secretary and Director
Qualifications	– Bachelor of Economics from the University of Sydney, Fellow, Institute of Company Directors of Australia, Fellow, Financial Services Institute of Australasia, and Treasurer, The Institute of Quantitative Research in Finance, Inc.
Experience	– Derek has been a 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, a bond sales, originator and underwriter, and an investment manager. He established the business that is today UBS Global Asset Management in Australia.
Interest in Shares and Options	– 3,570,614 Ordinary shares and 3,450,000 share options in Oceanethix International Holdings Limited.
Directorships held in other listed entities during the years prior to the current year	– Nil
Nigel Kong Yiu Wong	– Director
Qualifications	– Fellow of Hong Kong Institute of Certified Public Accountant and Chartered Association of Certified Accountants and member of Hong Kong Tax Institute
Experience	– 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, N K Wong & Company, in Hong Kong.
Interest in Shares and Options	– Nil Ordinary shares and 300,000 share options in Oceanethix International Holdings Limited.
Directorships held in other listed entities during the years prior to the current year	– Nil

John Zhong	– Director
Qualifications	– Bachelor of Commerce (International Studies) from University of Sydney.
Experience	– John is a professional accountant. He has over 20 year's practical experience in the commercial sector. He is one of the executives in an Australian based media company.
Interest in Shares and Options	– Nil Ordinary shares and 300,000 share options in Oceanethix International Holdings Limited.
Directorships held in other listed entities during the years prior to the current year	– Nil

Company Secretary

Derek Condell is a director and company secretary of the Group. Details information for Mr. Condell can be found in the information on the directors.

Meetings of Directors

During the financial year, 10 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings		**Committee Meetings**			
			Audit		Remuneration	
	Number eligible to attend	Number Attended	To attend	Attended	To attend	Attended
Nigel Wong	10	8	1	1	0	0
Nicole Tang	10	8	0	0	0	0
Brian Wong	10	10	1	1	0	0
Lloyd Moskalik	10	10	0	0	0	0
Chuly Lee	10	10	1	1	1	1
Condell, Derek	10	10	0	0	0	0
John Zhong	10	8	0	0	1	1

Indemnifying Officers or Auditor

The company has completed negotiations for providing Director And Offices insurance to insure each of the following directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a willful breach of duty in relation to the company. The amount of the premium is HKD160,000 per year.

Options

At the date of this report, the unissued ordinary shares of Oceanethix International Holdings Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under option
10 Dec 2013	30 Nov 2015	AUD0.04	13,617,690
10 Dec 2013	30 Nov 2017	AUD0.04	13,617,690

Options holders do not have any rights to participate in any issues of shares or other interests in the company or any other entity.

There have been no unissued shares or interests under option of any controlled entity within the Group during or since reporting date.

During the year ended 30 June 2014, no ordinary shares of Oceanethix International Holdings Limited were issued on the exercise of options granted. No further shares have been issued since year end. No amounts are unpaid on any of the shares.

No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year

Non-audit Services

The auditors of the Group and its controlled entities did not provide non-audit services during the year. This is not incompatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on page 19 of the Annual Report.

ASIC Class Order 98/100 Rounding of Amounts

The company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

REMUNERATION REPORT

Remuneration Policy

The remuneration policy of Oceanethix International Holdings Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The board of Oceanethix International Holdings Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Consolidated Group is as follows:

– The remuneration policy is to be developed by the executive directors of the board and approved by the Board.
– All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation or MPF, fringe benefits and options.
– No performance incentives are paid during the year.

Incentives paid in the form of options or rights are intended to align the interests of the directors and company with those of the shareholders. In this regard, key management personnel are prohibited from limiting risk attached to those instruments by use of derivatives or other means.

The Chairman reviews key management personnel packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed bi-annually with each executive and is based predominantly on the forecast growth of the consolidated group's profits and shareholders' value. Incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives and options, and can recommend changes to the Chairman recommendation. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

Key management personnel receive a superannuation guarantee contribution currently at 9.25% or Mandatory Provident Funds (MPF) currently at 5% respectively, depending on their domicile in Australia or Hong Kong and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation and MPF.

Upon retirement, key management personnel are paid employee benefit entitlements accrued to the date of retirement. Any options not exercised before or on the date of termination will lapse.

All remuneration paid to key management personnel is valued at the cost to the company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Chairman of the Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and is currently HKD1,300,000.

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Directors 'and executive officers' remuneration

Details of the nature and amount of each major element of remuneration of each director of the Company, and other key management personnel of the consolidated entity are:

		Short-term				Post-employment	Other long term		Share-based payments			
		Salary & fees $HK	STI cash bonus $HK (A)	Non-monetary benefits $HK	Total $HK	Super-annuation benefits $HK	$HK	Termination benefits $HK	Options and rights $HK (B)	Total $HK	Proportion of remuneration performance related $HK	Value of options as proportion of remuneration %
Directors												
Non-executive directors												
Ms Chuly Lee	2014	1,0833,333	-	-	1,083,333	-	-	-	-	1,083,333	-	-
	2013	185,980	-	-	185,980	-	-	-	-	185,980	-	-
Mr Brian Wong	2014	291,000	-	-	291,000	-	-	-	-	291,000	-	-
	2013	-	-	-	-	-	-	-	-	-	-	-
Mr Derek Condell	2014	192,987	-	-	192,987	-	-	-	-	192,987	-	-
	2013	-	-	-	-	-	-	-	-	-	-	-
Ms Nicole Kit Hung Tang	2014	38,800	-	-	38,800	-	-	-	-	38,800	-	-
	2013	-	-	-	-	-	-	-	-	-	-	-
Mr Nigel Kong Yiu Wong	2014	25,000	-	-	25,000	-	-	-	-	25,000		
	2013	-	-	-	-	-	-	-	-	-	-	-
Mr John Zhang	2014	25,000	-	-	25,000	-	-	-	-	25,000	-	-
	2013	-	-	-	-	-	-	-	-	-	-	-
Sub-total non-executive directors' remuneration	2014	1,656,120	-	-	1,656,120	-	-	-	-	1,656,120		
	2013	185,980	-	-	185,980	-	-	-	-	185,980	-	-
Executive directors												
Mr Lloyd Moskalik	2014	2,004,167	-	266,435	2,270,602	-	-	-	-	2,270,602	-	-
	2013	59,967	-	-	59,967	-	-	-	-	59,967	-	-
Sub-total executive directors' remuneration	2014	2,004,167	-	266,435	2,270,602	-	-	-	-	2,270,602	-	-
	2013	59,967	-	-	59,967	-	-	-	-	59,967	-	-
Total directors' remuneration	2014	3,660,287	-	266,435	3,926,722	-	-	-	-	3,926,722		
	2013	245,947			245,947					245,947	-	-

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Analysis of bonuses included in remuneration

No short term incentive cash bonuses were awarded as remuneration to the Directors or Employees of the Company.

Employment Details of Members of Key Management Personal and Other Executives

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the consolidated group, and to the extent different, among the key Group executives or company executives receiving the highest remuneration. The table also illustrates the proportion of remuneration that was performance and non-peformance based and the proportion of remuneration in the form of options.

	Position held as at 30 Jun 2014 and any change during the year	Contract details (during & termination)	Proportion of elements of remuneration related to performance			Proportion of elements of remuneration not related to performance	
			Non-salary cash based incentives	Shares/ Units	Options / Rights	Fixed Salary	Total
			%	%	%	%	%
Group Key Management Personnel							
Chuly Lee	Director	3 months notice	-	-	-	100	100
Brian Wong	Director	3 months notice	-	-	-	100	100
Derek Condell	Director	3 months notice	-	-	-	100	100
Lloyd Moskalik	Director	3 months notice	-	-	-	100	100
Nicole Tang	Director	3 months notice	-	-	-	100	100
Nigel Wong	Director	3 months notice	-	-	-	100	100
John Zhong	Director	3 months notice	-	-	-	100	100

No options over ordinary shares in the Company were granted as compensation key management person during the reporting period.

Securities Received that are not Performance Related

No members of the key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

Cash Bonuses, Performance-related Bonuses and Share-based Payments

The Board is considering providing performance based bonuses and shares in the future. The terms and conditions relating to options and bonuses granted as remuneration in the future to key management personnel and other executives will be put forward to the Shareholders for approval.

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REMUNERATION REPORT (CONT'D)

This director's report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

Brian Wong

Managing Director

Dated 30 September 2014

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF OCEANETHIX INTERNATIONAL HOLDINGS LIMITED ACN 161 170 707

I declare that, to the best of my knowledge and belief, during the year ended 30 June, 2014 there have been no contraventions of:

i. the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and,

ii. any applicable code of professional conduct in relation to the audit.

Cannings & Co

CANNINGS & CO
Chartered Accountants

Mr Jeffrey D Cannings, FCA,CTA
Registered Company Auditor

Dated this 30th day of September 2014

Chartered Accountants
Cannings & Flynn Pty Ltd A.C.N 108 438 035 t/a Cannings & Co ABN 61 450 636 822
Liability limited by a scheme approved under Professional Standards Legislation
Directors – Jeffrey D Cannings, MBA, Dip.Tech. (Comm), Dip.Ed., FCA, CTA, FTPA (Tax) & Brian Flynn, B.Comm, ACA.

Office: Level 1, 1A Sydenham Road, Brookvale, NSW 2100 Ph: (02) 9905 7599 Fax (02) 9905 3044
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2014

	Note	Consolidated group 2014 HKD '000	2013 HKD '000
Revenue	2	9,923	8,060
Unearned Income	2	-	(3,492)
Cost of Sales		(1,753)	(49)
Gross profits		8,170	4,519
Other income		-	-
Finance costs		(2)	-
Employee benefits expense		(2,751)	-
Depreciation and amortisation expense		(265)	-
Other operating expenses	3	(2,429)	(1,441)
Profit before income tax	3	2,723	3,078
Income tax expense	4	-	508
Net profit for the year		2,723	2,570
Net profit for the year		2,723	2,570
Other comprehensive income			
Exchange differences on translating foreign controlled entities		-	-
Other comprehensive income for the year, net income tax		2,723	2,570
Total comprehensive income for the year		2,723	2,570
Net profit attributable to:			
Equity Holders of the parent entity		2,723	2,570
Net profit for the year		2,723	2,570
Total comprehensive income attributable to :			
Equity Holders of the parent entity		2,723	2,570
		2,723	2,570
Earnings per share attributable to Equity Holders of the Company			
Basic earnings per share (cents)	7	0.95	0.92
Diluted earnings per share (cents)	7	0.95	0.92

The accompanying notes form part of these financial statements

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	Consolidated Group 2014 HK$000	2013 HK$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	885	616
Trade and other receivables	9	12,028	9,055
Other current assets	12	-	348
TOTAL CURRENT ASSETS		12,913	10,019
NON-CURRENT ASSETS			
Trade and other receivables	9	2,940	2,940
Plant and equipment	11	1,495	1,059
Other non-current assets	12	5,301	1,721
TOTAL NON-CURRENT ASSETS		9,736	5,720
TOTAL ASSETS		22,649	15,739
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	6,282	5,696
TOTAL CURRENT LIABILITIES		6,282	5,696
TOTAL LIABILITIES		6,282	5,696
NET ASSETS		16,367	10,043
EQUITY			
Issued capital	14	23,005	19,404
Reserves	23	(11,931)	(11,931)
Retained Earnings		5,293	2,570
TOTAL EQUITY		16,367	10,043

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2014

Consolidated Group

	Note	Ordinary share	Reserves			Retained Earnings	Total
			Acquisition	Share Options	Foreign Currency Translation		
		HK$000	HK$000	HK$000	HK$000	HK$000	HK$000
Balance at 1 July 2013		19,404	(11,931)	-	-	2,570	10,043
Comprehensive income							
Profit for the year		-	-	-	-	2,723	2,723
Other Comprehensive income for the year							
Foreign currency translation difference		-	-	-	-	-	-
Total comprehensive profit for the year		-	-	-	-	5,293	12,766
Transactions with owners, in their capacity as owners, & other transfers							
Share issued during the year		3,601	-	-	-	-	3,601
Goodwill on Consolidation		-	-	-	-	-	-
Total transactions with owners and other transfers		3,601	-	-	-	-	3,601
Balance at 30 June 2014		23,005	(11,931)	-	-	5,293	16,367

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2014

Consolidated Group

	Note	Ordinary share	Reserves			Retained Earnings	Total
			Acquisition	Share Options	Foreign Currency Translation		
		HK$000	HK$000	HK$000	HK$000	HK$000	HK$000
Balance at 1 July 2012		-	-	-	-	-	-
Comprehensive income							
Profit for the year		-	-	-	-	2,570	2,570
Other Comprehensive income for the year							
Foreign currency translation difference		-	-	-	-	-	-
Total comprehensive profit for the year		-	-	-	-	2,570	2,570
Transactions with owners, in their capacity as owners, & other transfers							
Share issued during the year		19,404	-	-	-	-	19,404
Goodwill on Consolidation		-	(11,931)	-	-	-	(11,931)
Total transactions with owners and other transfers		19,404	(11,931)	-	-	-	7,473
Balance at 30 June 2013		19,404	(11,931)	-	-	2,570	10,043

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2014

		Consolidated group	
	Note	**2014**	**2013**
		HK$000	**HK$000**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		3,956	(468)
Payments to suppliers and employees		(6,852)	(5,330)
Dividends received		-	-
Interest received		-	-
Finance costs		-	-
Net cash (used in) operating activities	18	(2,896)	(5,798)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment / plant and equipment		(436)	(12,990)
Net cash used in investing activities		(436)	(12,990)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		3,601	19,404
Net cash provided by financing activities		3,601	19,404
Net increase in cash held		269	616
Cash and cash equivalents at beginning of financial year		616	-
Cash and cash equivalent at end of financial year	8	885	616

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

This is the consolidated financial statements and notes of Oceanethix International Holdings Limited and its controlled entities ('Consolidated Group' or 'Group'). The separate financial statements of the parent entity, Oceanethix International Holdings Limited, have not been presented within this financial reports as permitted by the Corporation Act 2001.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements are a general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) **Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Oceanethix International Holdings Limited at the end of the reporting period. A controlled entity is any entity over which Oceanethix International Holdings Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 10 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognized (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognizing any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Basis of Preparation

(b) **Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognized outside profit or loss.

Expect for business combinations, no deferred income tax is recognized from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the assets is the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilized and current losses, costs and expenses can be paid after guaranteed (note 20).

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Basis of Preparation

(c) **Plant and Equipment**

Plant and equipment are measured on the cost basis and carried at cost less accumulated depreciation.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed asset	Depreciation Rate
Plant and equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its fair value.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(d) **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

BASIS OF PREPARATION

(e) **Financial Instruments**

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified as 'at fair value through profit or loss', in which case transaction costs are expensed to statement of comprehensive income immediately.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. .

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

BASIS OF PREPARATION

(e) **Financial Instruments (cont'd)**

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i. *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in statement of comprehensive income.

ii. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

iii. *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets.

Iv *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for- sale financial assets are included in non-current assets, where they are expected to be sold mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets.

v. *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

BASIS OF PREPARATION

(e) **Financial Instruments (Cont'd)**

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Financial Guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

-- the likelihood of the guaranteed party defaulting in a year period;

-- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and

-- the maximum loss exposed if the guaranteed party were to default.

Financial guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

BASIS OF PREPARATION

(f) **Impairment of Assets**

At each the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in statement of comprehensive income, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(g) **Investments in Associates**

Associates are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the group. Investments in associates are accounted for in the financial statements by applying the equity method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition the Group's share of the profit or loss of the associate company is included in the Group's statement of comprehensive income.

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition whereby the Group's share of the net fair value of the associate exceeds the cost of the investment is recognised in statement of comprehensive income in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the relation to the Group's investment in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume the recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

Details of the Group's investments in associates are provided in Note 10.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Preparation

(h) **Foreign Currency Transactions and Balances**

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Hong Kong dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in statement of comprehensive income.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Hong Kong dollars are recognized in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

(i) **Employee Benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

BASIS OF PREPARATION

(i) **Equity-settled compensation**

The Group operates an employee share ownership plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

(j) **Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(k) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits available on demend with banks, other short-term highly liquid investments with original maturities of six months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(l) **Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method.

Dividend revenue is recognised when the right to receive a dividend has been established.

(m) **Trade and Other Receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Preparation

(n) **Trade and Other Payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

(o) **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in statement of comprehensive income in the period in which they are incurred.

(p) **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(q) **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has applied retrospectively, applied an accounting policy made a retrospective restatement of items in the financial statements, or reclassified items in its financial statements an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(r) **Rounding of Amounts**

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest $1,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Preparation

(s) **Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates

Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

No impairment has been recognised in respect of in respect of property, plant, equipment and trade and others receivable for the year ended 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

BASIS OF PREPARATION

(t) **New Accounting Standards for Application in Future Periods**

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

  These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

  The key changes made to accounting requirements include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
  - requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on:
    a. the objective of the entity's business model for managing the financial assets
    b. the characteristics of the contractual cash flows
  - requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

BASIS OF PREPARATION

(t) **NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS (CONT'D)**

– AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009–11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

– AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

– AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

BASIS OF PREPARATION

(t) **NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS (CONT'D)**

– AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are not expected to significantly impact the Group.

The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standard affects presentation only and is therefore not expected to significantly impact the Group.

– AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB101, AASB124, AASB134, AASB1049 & AASB 2011–8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Group does not have any defined benefit plans and so is not impacted by the amendment.

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

(i) for an offer that may be withdrawn – when the employee accepts;

(ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and

(iii) where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

The Group has not yet been able to reasonably estimate the impact of these changes to AASB 119.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 2: Revenue and Other Income

	Note	Consolidated Group	
		2014 **HKD$000**	**2013** **HKD$000**
a. Revenue from continuing operations			
Sales revenue:			
– Project Income		9,923	8,060
– Less: Unearned Income		-	3,492
Total Revenue		9,923	4,568
b. Total revenue and other income from continuing operations			
– Attributable to member of the parent entity		9,923	4,568
		9,923	4,568

(i) Country license fee for Korea with OCXNE, is conditional on commencing the first sold project in Korea, expected to commence in the next 12 months

Note 3: Profit for the period	**Note**	**Consolidated Group**	
		2014 **HKD$000**	**2013** **HKD$000**
Profit before income tax from continuing operations includes the following specific expenses		**2,723**	**3,078**
a. Expenses			
Cost of sales		1,753	3,541
Salaries and Wages		2,751	49
Rental expense on operating leases			
– rental expenses	15	785	28
General Expenses		-	86

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 4: Income Tax Expense

	Consolidated Group	
	2014 HKD$000	2013 HKD$000
a. The components of tax expenses companies		
Current tax	-	508
Deferred tax	-	
Recoupment of prior year tax losses	-	
	-	508
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at HK rate of 16.5%		
– consolidated group	-	508
Add : Tax effect of :		
– Adjustment for foreign tax rate	-	-
Recoupment of prior year tax losses not previously brought to account	-	-
Income tax attributable to entity	-	508
Deferred income tax assets not bought to account	-	-

Note 5: Interests of Key Management Personnel (KMP)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2014.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2014 HKD$000	2013 HKD$000
Short-term employee benefits	3,660	246
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	3,660	246

KMP Options and Rights Holdings

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

30 June 2014	Balance at beginning of year	Granted as remuneration during the year	Exercised /lapsed during the year	Other changes during the year	Balance at end of year	Vested during the year	Vested and exerciseable	Vested and unexercisable
Directors								
Chuly Lee	-	2,300,000	-	-	2,300,000	2,300,000	2,300,000	-
Brian Wong	-	1,150,000	-	-	1,150,000	1,150,000	1,150,000	-
Derek Condell	-	1,150,000	-	-	1,150,000	1,150,000	1,150,000	-
Nicole Tang	-	300,000	-	-	300,000	300,000	300,000	-
Lloyd Moskalik	-	2,300,000	-	-	2,300,000	2,300,000	2,300,000	-
Nigel Wong	-	300,000	-	-	300,000	300,000	300,000	-
John Zhong	-	300,000	-	-	300,000	300,000	300,000	-
Executives								
Helen Gao	-	1,278,460	-	-	1,278,460	1,278,460	1,278,460	-
Total	-	9,078,460	-	-	9,078,460	9,078,460	9,078,460	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 5: Interests of Key Management Personnel (KMP) (CONT'D)

KMP Shareholdings

The number of ordinary shares in Oceanethix International Holdings Limited held by each KMP of the Group during the financial year is as follows:

30 June 2014	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
Directors					
Chuly Lee	8,485,957	-	-	2,800,000	11,285,957
Brian Wong	10,000,000	-	-	2,720,000	12,720,000
Derek Condell	2,850,614	-	-	720,000	3,570,614
Nicole Tang	10,000,000	-	-	500,000	10,500,000
Lloyd Moskalik	10,006,163	-	-	3,500,000	13,506,163
Nigel Wong	-	-	-	-	-
John Zhong	-	-	-	-	-
Executives					
Helen Gao	62,818	-	-	-	62,818
Total	41,405,552	-	-	10,240,000	51,645,552

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Note 5: Interests of Key Management Personnel (KMP) (CONT'D)

Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above.

Note 6: Auditors' Remuneration

	Consolidated Group	
	2014 HKD$000	**2013 HKD$000**
Remuneration of the auditor of the parent entity for:		
– auditing or reviewing the financial statements	180	74
Remuneration of other auditors of subsidiaries for:		
– auditing or reviewing the financial statements of subsidiaries	131	-
	311	74

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 7: Earnings per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the calculating basic and diluted earnings per share computations:

	Consolidated Group	
	2014	**2013**
	HKD$000	**HKD$000**
Net profit attributable to ordinary equity holders of the Company	2,723	2,570

	Number	**Number**
Weighted average number of ordinary shares for basic earnings per share	286,031,781	280,000,000
Weighted average number of ordinary shares adjusted for the effect of dilution	286,031,781	280,000,000

Note 8: Cash and Cash Equivalents

	Note	Consolidated Group	
		2014	**2013**
		HKD$000	**HKD$000**
Cash at bank and in hand		885	616
	22	885	616

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	885	616
	885	616

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 9: Trade and Other Receivables	**Note**	**Consolidated Group 2014 HKD$000**	**Consolidated Group 2013 HKD$000**
CURRENT			
Trade receivables		8,536	9,055
Provision for impairment		-	-
Total current trade and other receivables		8,536	9,055
NON-CURRENT			
Term receivables	**9(a)**	6,432	2,940
Provision for impairment		-	-
		6,432	2,940
a. Amounts receivable from :			
- Ultimate parent entity		-	-
- Associated companies	**10(b)**	2,940	2,940
Total non-current trade and other receivables		2,940	2,940

Current trade and term receivables are non-interest bearing and generally on 30-120 day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairments is recognised when there is an objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses item. No provision of impairment has been provided in the accounts during the year.

Credit Risk – Trade and Other Receivables

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 9. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has significant credit risk exposures in Hong Kong given its substantial operations in this region. The Group's exposure to credit risk for receivables at the end of the reporting period in this region is as follows:

	Consolidated Group 2014 HKD$000	**2013 HKD$000**
Hong Kong	10,370	9,055
Australia	2,940	-
	13,310	9,055

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 9: Trade and Other Receivables (CONT'D)

	Gross amount	Past due and impaired	Past due but not impaired (days overdue) < 30	31-60	61-90	> 90	Within initial trade terms
	HKD$000	HKD$000	HKD$000	HKD$000	HKD$000	HKD$000	HKD$000
Consolidated Group							
2014							
Trade and term receivables	10,370	-	488	-	-	9,882	10,370
Other receivables	2,940	-	-	-	-	-	2,940
Total	13,310	-	488	-	-	9,882	13,310

Neither the Group nor parent entity holds any financial assets with terms that have been renegotiated, which would otherwise be past due or impaired.

b. Collateral held as security

No collateral is held as security.

c. Collateral pledged

No charge over trade receivables has been provided for during the year. Refer to the note 16b for further details.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 10: Controlled Entities

(a) **Controlled Entities Consolidated**

	Country of Incorporation	Percentage Owned (%)*	
		2014	2013
Subsidiaries of Oceanethix International Holdings Limited			
Atoll Trading Limited	Hong Kong	100%	100%
Atoll Technology Limited	Hong Kong	100%	100%

* Percentage of voting power is in proportion to ownership

(b) Acquisition of Controlled Entities

On the 5th March 2012, a Memo of Understanding was signed by Success Swift HK Ltd (SSL) for the acquisition of 60% of Marine Culture Technology Ltd (MCT) (Formerly Oceanethix Ltd).

Subsequently, a Business Sale Agreement was prepared by the company, then a 100% subsidiary, as was SSL, of Focal Creations Group Ltd (FCGL), to acquire MCT's unencumbered Assets, Plant and Equipment and Intellectual Property for the amount of HKD19,404,254 (USD2,500,000). The terms of the agreement were as follows;

– HKD 8,716,389 (USD1,123,000) in cash and operating loans to MCT and its subsidiary Ocean Pacific Technology Development Ltd (OPTDL) (Formerly Oceanethix HK Ltd) from 5th March 2102 to deal closure;
– These funds were to be used to enable MCT to remain solvent until deal closure, and fund the listing preparations of the company for the benefit of the MCT shareholders;
– Issue 40% of the equity of the company on an in specie parri pasu basis to the shareholders of MCT with a value of HKD7,747,265 (USD1,000,000); and
– Ongoing financial support by FCGL of HKD 2,940,600 (USD377,000) to the company post acquisition, and provide an indemnity to MCT against any creditor claims, until MCT is wound up.

On the 1st February 2102 the acquisition was completed.

At the time, Oceanethix International Holdings Ltd (OCXIHL) did not have a Hong Kong Subsidiary, therefore, for the purposes of the transaction to be completed, MCT, transferred the shares in its Hong Kong subsidiary, Ocean Pacific Technology Development Ltd (OPTDL) to OXCIHL on the 1st February 2012, which held all Contracts, Assets, Plant and Equipment.

Upon forming Atoll Trading Ltd on the 30 May 2013, all unencumbered assets as set out in the Business Sale Agreement were transferred to it on the 21st June 2103, as was the Intellectual Property held by Marine Culture Technology Ltd transferred to Atoll Technology Ltd on 21st June 2013. All expenses and liabilities remained with OPTDL.

(c) Disposal of Controlled Entities

There were no disposals of subsidiaries during the year

(d) Controlled Entities with Ownership interest of 50% or Less

The group does not control any entity with equity interest of 50% or less.

Note 11: Plant and Equipment

	Note	Consolidated Group	
		2014 **HKD$000**	**2013** **HKD$000**
At cost		1,760	1,059
Accumulated depreciation		(265)	-
		1,495	1,059

a. Movements in Carrying Amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year

	Plant and Equipment HKD$000	Total HKD$000
Consolidated Group		
Balance at 1 July 2013	1,059	1,059
Additions during the period	701	701
Depreciation Expenses	(265)	(265)
Balance at 30 June 2014	1,495	1,495

Note 12: Other Assets

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		Consolidated Group	
		2014 **HKD$000**	**2013** **HKD$000**
CURRENT			
Stock		-	348
NON-CURRENT			
Deposits	12(a)	560	560
Listing Costs	12(b)	4,741	1,161
Total Non-Current		5,301	1,721

(a) Rental Deposits on L15, 6 Wong Chuk Yeung Street, Fo Tan, Hong Kong .

(b) Accumulated professional fees to list on the National Stock Exchange of Australia

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 13: Trade and other payables

	Note	Consolidated Group 2014 HKD$000	2013 HKD$000
CURRENT			
Trade payables		2,448	-
Amounts payable to:			
– Director Salaries		2,191	1,080
– Unearned Income	2	-	3,492
– Shareholder Loan – Jinmin Lee		-	60
– Suppliers		763	548
– Payroll Liabilities and others		372	8
– Tax payables (*Note)		508	508
		6,282	5,696

Note

Tax payables amount relates to income taxes that may payable to Hong Kong Revenue Office when the Oceanethix Hong Kong Limited (in liquidation) (“OHKL”) is finally liquidated. OHKL was wholly owned by Marine Culture Technology Limited (in administration) and incorporated in Australia. This company developed and sold its intellectual property to OceanEthix International Holdings Limited, also incorporated in Australia during the year ended 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 14: Issued Capital	**Note**	**Consolidated Group**	
		2014	**2013**
		HKD$000	**HKD$000**
280,000,000 fully paid ordinary shares		23,005	19,404

a.	Ordinary Shares	No.	No.
	At the beginning of reporting period	280,000,000	-
	Shares issued during the year	10,240,000	280,000,000
	At the end of the reporting period	290,240,000	280,000,000

b. **Options**

i. For information relating to the Oceanethix International Holdings Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 19 : Share-based Payments.

ii. For information relating to share options issued to key management personnel during the financial year, refer to Note 19 : Share-based Payments.

c. **Capital Management**

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the *management* of debt levels, distributions to shareholders and share issues.

Note 15: Capital and Leasing Commitments

	Consolidated Group	
	2014	**2013**
	HKD$000	**HKD$000**
a. Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
– not later than 12 months	885	103
– between 12 months and 5 years	-	1,178
– greater than 5 years	-	-
	885	1,281

Operating lease payment represents rents payable by Atoll Trading Ltd for it factory premises in Fo Tan, HK. 5 Year Lease ends 11th June 2015. Lease currently being assigned to Atoll Trading Ltd. With 2 years remaining

Note 16: Contingent Liabilities and Contingent Assets

There were no significant contingent liabilities and contingent assets at 30 June 2014 and subsequent to the financial year end.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 17: Operating Segments

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily by Geographical segment and they inherently have notably different risk profiles and performance assessment criteria.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

Types of products and services by segment

(i) **Business segments**

No Business Segments is applicable to group

(ii) **Geographical segments**

Hong Kong

Australia

Basis of accounting for purposes of reporting by operating segments

a. **Accounting policies adopted**

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

b. **Inter-segment transactions**

An internally determined transfer price is set for all inter-segment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

c. **Segment assets**

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

d. **Segment liabilities**

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables and certain direct borrowings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 17: Operating Segments (Cont)

e. **Unallocated items**

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

— Net gains on disposal of available-for-sale investments

— Impairment of assets and other non-recurring items of revenue or expense

— Other financial liabilities

i. Segments performance

					Consolidated Group	
	Hong Kong		**Australia**		**Total**	
	HKD$000		**HKD$000**		**HKD$000**	
REVENUE	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
External Sale	9,923	8,060	-	-	9,923	8,060
Other revenue	-	-	-	-	-	-
Total segment revenue	9,923	8,060	-	-	9,923	8,060
Reconciliation of segment revenue to group revenue						
Inter-segment elimination	-	-	-	-	-	-
Total group revenue	9,923	8,060	-	-	9,923	8,060
Segment net profit (loss) before tax from continuing operations						
Reconciliation of segment result to group net profit before tax	2,725	3,078	-	-	2,725	3,078
- Amount not included in segment result but reviewed by Board	-	-	-	-	-	-
- Equity accounted profits of associates	-	-	-	-	-	-
Net profit (loss) before tax from continuing operations	2,725	3,078	-		2,725	3,078

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 17: Operating Segments (Cont)

	Consolidated Group					
Segment Assets	**Hong Kong HKD$000**		**Australia HKD$000**		**Total HKD$000**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Segment assets increases for the year	14,408	11,639	8,241	4,100	22,649	15,739
	14,408	11,639	8,241	4,100	22,649	15,739
Included in segment assets are:						
- Plant and Equipment	1,495	1,059	-	-	1,495	1,059
- Listing Costs	-	-	5,301	1,160	5,301	1,160
- Cash	885	616	-	-	885	616
- Stock	-	348	-	-	-	348
- Receivables	12,028	9,055	2,940	2,940	14,968	11,995
- Deposits	-	561	-	-	-	561
Reconciliation of segment assets to group assets	-	-	-	-	-	-
Inter-segment eliminations	-	-	-	-	-	-
Total group assets	14,408	11,639	8,241	4,100	22,649	15,739

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 17: Operating Segments (Cont)

	Consolidated Group			
	Hong Kong		Total	
	HKD$000		HKD$000	
	2014	2013	2014	2013
Segment liabilities				
Reconciliation of segment liabilities to group liabilities	6,282	5,696	6,282	5,696
Inter-segment eliminations	-	-	-	-
Unallocated liabilities	-	-	-	-
Current tax liabilities	-	-	-	-
Total group liabilities	6,282	5,696	6,282	5,696

Revenue by Geographical region	Segment Revenues for External Customers	
	2014	2013
	HKD$000	HKD$000
Australia	-	-
Hong Kong	9,923	8,060
Total revenue	9,923	8,060

Assets by Geographical region

	2014	2013
	HKD$000	HKD$000
Australia	9,020	4,100
Hong Kong	13,629	11,639
Total Assets	22,649	15,739

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 18: Cash Flow Information

	Consolidated Group	
	2014	2013
	HKD$000	HKD$000
a. **Reconciliation of Cash Flow from Operations with (Loss) / Profit after Income Tax**		
Profit after income tax	2,723	2,570
Non-cash flows in profit	-	
Depreciation	(265)	
Changes in assets and liabilities		
(Increase) / decrease in trade and others receivables	(6,289)	(14,064)
Increase / (decrease) in trade payables and accruals	935	5,696
Cash inflows/(outflows) from operating activities	(2,896)	(5,798)

(b) Acquisition of Entities

The Group did not acquire an equity interest of a company during the financial year

(c) Non-cash Financing and Investing Activities

There were no non-cash financing and investing activities.

Note 19: Share Based Payments

i. 7,800,000 share options were granted to directors of Oceanethix International Holdings Limited.

ii. No Employee Share Option Scheme established. However, the Board is considering a long-term incentive scheme to recognize talent and motivate executives to strive for group performance. It is proposed that employees are entitled to participate in the scheme upon completion of one year employment with the consolidated group. The options are issued for no consideration and carry no entitlements to voting rights or dividends of the Group. The number available to be granted is determined by the Board and is based on performance measures including growth in shareholder return, return on equity, cash earnings and group EPS growth.

iii. No option was exercised during the year

iv. During the year, no shares granted to key management personnel as share-based payments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 20: Events after the Reporting Period

Subsequent to the balance date of 30 June 2014, no events need to be disclosed except that on 25 August 2014. Focal Creation Group Limited ('FCG") issued a letter to the National Stock Exchange ("NSX") that it will guarantee all the debts and liabilities of the company and its controlled entities. A deed of guarantee and indemnity signed by FCG guaranteeing all losses, costs and expenses of the company to a limit of US$300,000 for the next twelve months ending 25 September 2014. FCG is the majority shareholder of the company.

Note 21: Related Party Transactions

There were no related party transactions, except for the Deed of Guarantee and indemnity between the company and FCG on 25 September 2014.

Note 22: Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable and loans to and from subsidiaries.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Group	
		2014 HKD$000	2013 HKD$000
Financial Assets			
Cash and cash equivalents	8	885	616
Current Trade and other receivables	9	12,028	9,055
Non Current Trade and other receivables	9	2,940	2,940
Total Financial Assets		15,853	12,611
Financial Liabilities			
Financial liabilities at amortised cost			
- Trade and other payables	13	6,282	5,696
Total Financial Liabilities		6,282	5,696

Financial Risk Management Policies

The Managing Director and Chief Financial Officer have been delegated responsibility by the Board of Directors for, among other issues, managing financial risk exposures of the Group. The Managing Director and Chief Financial Officer monitor the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. They also reviews the effectiveness of internal controls relating to commodity price risk, counterparty credit risk, currency risk, liquidity risk and interest rate risk.

The Managing Director and Chief Financial Officer overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 22: Financial Risk Management (CONT'D)

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk (commodity and equity price risk).

There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

a. **Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Group, credit terms are generally 30 to 120 days from the invoice date.

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position. Credit risk also arises through the provision of financial guarantees, as approved at Board level, given to parties securing the liabilities of certain subsidiaries.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. Details with respect to credit risk of trade and other receivables are provided in Note 19.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed in Note 9.

Credit risk related to balances with banks and other financial institutions is managed by the Managing Director and chief financial officer in accordance with approved Board policy.

b. **Liquidity risk**

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- obtaining funding from a variety of sources;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities. There are no Bank overdrafts facilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 22: Financial Risk Management (CONT'D)

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
Consolidated Group	**2014 HKD $000**	**2013 HKD $000**	**2014 HKD $000**	**2013 HKD $000**	**2014 HKD $000**	**2013 HKD $000**	**2014 HKD $000**	**2013 HKD $000**
Borrowings								
Trade and other payables (excluding estimated annual leave)	5,774	4,108	-	1,080	-	-	5,774	5,188
Total contractual outflows	5,774	4,108	-	1,080	-	-	5,774	5,188
less bank overdrafts								
Total expected outflows	5,774	4,108	-	1,080	-	-	5,774	5,188
Financial assets — cash flows realisable								
Cash and cash equivalents	885	616	-	-	-	-	885	616
Trade, term and loans receivables	12,028	9,055	2,940	2,940	-	-	14,968	11,995
Financial assets-current	-	-	-	-	-	-	-	-
Financial assets – non current	-	-	-	-	-	-	-	-
Other current assets	-	-	-	348	-	-	-	348
Total anticipated inflows	12,913	9,671	2,940	3,288	-	-	15,853	12,959
Net (outflow)/inflow on financial instruments	7,139	5,563	2,940	2,208	-	-	10,079	7,771

c. **Market Risk**

i. ***Interest rate risk***

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is not exposed to earnings volatility on floating rate instruments.

ii. ***Foreign exchange risk***

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the HKD functional currency of the Group.

iii. ***Price risk***

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities.

The Group is not exposed to commodity price risk.

The Group is not exposed to securities price risk on investments held for trading or for medium to longer terms.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 22: Financial Risk Management (CONT'D)

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates, exchange rates and equity prices. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Consolidated Group	
	Profits	**Equity**
Year ended 30 June 2014	**HKD$000**	**HKD$000**
+/-1% in interest rates	15/(5)	15/(5)
+/-5% in $A/HKD	-/-	-/-

Net Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments which are carried at amortised cost (i.e. term receivables) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Group.

		2014		2013	
Consolidated Group	**Footnote**	**Net Carrying Value**	**Net Fair Value**	**Net Carrying Value**	**Net Fair Value**
		HKD$000	**HKD$000**	**HKD$000**	**HKD$000**
Financial assets					
Cash and cash equivalents	(i)	885	885	616	616
Trade and other receivables	(i)	12,028	12,028	9,055	9,055
Total financial assets		12,913	12,913	9,671	9,671
Financial liabilities					
Trade and other payables	(i)	5,774	5,774	5,188	5,188
Total financial liabilities		5,774	5,774	5,188	5,188

The fair values disclosed in the above table have been determined based on the following methodologies:

(i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying amount is equivalent to fair value. Trade and other payables exclude amounts provided for annual leave, which is outside the scope of AASB 139.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 23: Reserves

a. *Acquisition Reserve*

Acquisition Reserve records goodwill on consolidation.

b. *Foreign Currency Translation Reserve*

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

c. *General Reserve*

The general reserve records funds set aside for future expansion of the consolidated group.

d. *Option Reserve*

The option reserve records items recognised as expenses on valuation of employee share options.

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DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Oceanethix International Holdings Limited, the directors of the company declare that:

1. the financial statements and notes, as set out on pages 20 to 61 , are in accordance with the *Corporations Act 2001* and:
   a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
   b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

Brian Wong
Managing Director
Dated this 30 September 2014

Nigel Wong
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCEANETHIX INTERNATIONAL HOLDINGS LIMITED ACN 161 170 707

Report on the Financial Report

I have audited the financial report of OceanEthix International Holdings Limited and its two controlled entities ("the Group") which comprises the consolidated statement of financial position as at 30 June 2014 and the consolidated statements of: comprehensive income, cash flows and changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors declaration of the consolidated entity comprising the company and the entities it controlled at the year-end or from time to time during the financial year.

Directors' responsibility

The Directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for establishing the internal controls that they determine necessary to enable them to be free from material misstatement whether due to fraud or error.

In addition the Directors are responsible for preparing and presentation of the Directors Remuneration Report in accordance with Section 300A of the Corporations Act 2001.

Auditor's responsibility

My responsibility is to audit the financial reports and the Directors Remuneration Report and to express my separate opinions thereon based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial reports in order to design audit procedures that are appropriate in the circumstances , but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls nor the prudence of any management decisions . An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made buy the directors, as well as evaluating the overall presentation of the financial report.

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 believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. My opinion does not involve the accompanying notes to the financial statements nor the prudence of any management decision made during the year ended 30 June 2014.

Emphasis of Matter

The key financial results of the Group (expressed in 000's) for the year ended 30 June 2014 are as follows:

Income

Total Revenue	HKD $9,923
Less Total Expenditure	(HKD $7,200)
Net Profit After Income Tax	HKD $2,723

Balance Sheet:

Current assets	HKD $12,913
Total Assets	HKD $22,649
Total Liabilities	HKD $6,282
Shareholder Funds	HKD $16,367

The Group comprises OceanEthix International Holdings Limited (incorporated in Australia and listed on the National Stock Exchange ("NSX") and two wholly owned subsidiary companies (incorporated in Hong Kong), namely:

Atoll Trading Limited
Atoll Technology Limited

I was not the appointed auditor for the two subsidiary companies due to jurisdictional restrictions.

Atoll Trading Limited is the main trading entity of the Group and it trades in Hone Kong. Atoll Technology Limited was a non-trading entity during the year ended 30 June 2014..

The Auditor of Atoll Trading Limited has qualified his opinion (contained in his Independent Auditor's Report) on the this Company' s "Report of the Directors' and Financial Statements" for the year ended 30 June 2014. The Independent Auditor's Report was dated 30 September 2014. The Auditor's comments now follows:

" Basis for Qualified Opinion

1. *We have not received bank confirmation letters from the Company's bankers to ascertain the bank balances an bank overdraft of HK $682,521 and HK $52,921 respectively and the existence of contingent liabilities, if any, as at 30 June 2014;*

2. *We have not received the confirmation letter from a trade debtor to ascertain the balance of HK $3,492.00 as at 30 June 2014. Besides, we have not been provided sufficient documentary evidence to assess the recoverability of this amount. No provision has been made to account for this doubtful debt.*

Any adjustment to the above would affect the net assets as at 30 June 2014. There were no other satisfactory audit procedures that we could adopt to obtain sufficient evidence regarding the bank balances of HK $682,521, bank overdraft of HK $52,921, contingent liabilities and bank related matters were fairly stated and properly disclosed in the financial statements in the balance sheet as at 30 June 2014 and also to ascertain the trade debtor balance of HK $3,492,000 as at 30 June 2014 and of its recoverability. Accordingly, we were unable to satisfy ourselves that the bank balances, bank overdraft, contingent liabilities and bank related matters were fairly stated and properly disclosed in the financial statements and also to verify that the trade receivables amount was fairly stated and to determine the amount of the provision for doubtful debt, if any, at 30 June 2014.

Chartered Accountants
Cannings & Flynn Pty Ltd A.C.N 108 438 035 t/a Cannings & Co ABN 61 450 636 822
Liability limited by a scheme approved under Professional Standards Legislation
Directors – Jeffrey D Cannings, MBA, Dip.Tech. (Comm), Dip.Ed., FCA, CTA, FTPA (Tax) & Brian Flynn, B.Comm, ACA.

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Qualified Opinion on the Financial Report

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the matters described in the basis for qualified opinion paragraph, in our opinion, the financial statements have been properly prepared, in all material respects, in accordance with HKFRS and Companies Ordinance to give a true and fair view of the state of the Company's affairs as at 30 June 2014.

In respect alone of the limitation on our work relating to the matters as described in basis for qualified opinion paragraph as at balance sheet date:

- *We have not obtained all the information and explanations that we considered necessary for the purposes of our audit; and,*
- *We were unable to determine whether proper books of account had been kept"..*

In addition to the above, it should be noted that OceanEthix International Holdings Limited ("OIHL") has received two forms of financial guarantees to pay for all its "losses, cost and expenses whatsoever of OIHL from Focal Creation Group Ltd the major shareholder holding 10% of its issued ordinary capital and on 25th day of September 2014 it signed a 'Deed of Guarantee and Indemnity' to "guarantee and indemnify not In total in any circumstances whatsoever exceeding the sum of US$300,000.00" for a "period of twelve calendar months from that date, unless the guarantor expressly agrees to the contrary in writing".

Independence

In conducting my audit, I have complied with the independence requirements of Australian professional ethical pronouncements and Corporations Act 2001.

In accordance with ASIC class order 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.

Basis for Adverse Opinion

*I am of a similar opinion as with the Auditor of 'Atoll Trading Limited' as to its particular effects on the Group's financial position, financial performance and cash flows **but** tempered by additional financial support being recently obtained from the Focal Creation Group Ltd in assisting the Group's future cash flows for twelve months ending 25 September 2015.*

I have relied heavily on the Auditors Report and work on Atoll Trading Limited's financial statements ended 30 June 2014, as well as on the said Deed of Guarantee and Indemnity (signed on 25th September 2014) with an expiration period of twelve months thereafter as the predominate basis for my Adverse Audit Opinion on the Group's Financial statements for the year ended 30 June 2014 and my opinion has been modified in accordance with Australian Auditing Standard ASA 705 (dated 27 June 2011).

Chartered Accountants
Cannings & Flynn Pty Ltd A.C.N 108 438 035 t/a Cannings & Co ABN 61 450 636 822
Liability limited by a scheme approved under Professional Standards Legislation
Directors – Jeffrey D Cannings, MBA, Dip.Tech. (Comm), Dip.Ed., FCA, CTA, FTPA (Tax) & Brian Flynn, B.Comm, ACA.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCEANETHIX INTERNATIONAL HOLDINGS LIMITED ACN 161 170 707

Adverse Opinion on the Financial Report

In my opinion, except for the effects of the matters described in the Basis for my Adverse Opinion paragraph, the financial report presents *fairly*, in all material respects, the financial position of OceanEthix International Holdings Limited and its controlled entities, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards and The Corporations Act 2001.

Audit opinion on the Director Remuneration Report

In my opinion, the Directors Remuneration Report for the year ended 30 June 2014 complies with section 300A of the Corporations Act 2001.

Cannings & Co

CANNINGS & CO
Chartered Accountants

Mr Jeffrey David Cannings, FCA, CTA
Registered Company Auditor

Dated this 30th day of September 2014

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the National Stock Exchange of Australia respect of listed public companies only.

1. **Shareholding**

a. **Distribution of Shareholders**

Category (size of holding)	**Number Ordinary**
1 – 1,000	0
1,001 – 5,000	0
5,001 – 10,000	6,380
10,001 – 100,000	2,153,721
100,001 – and over	228,737,165
	230,897,266

b. The number of shareholdings held in less than marketable parcels is nil.

c. The names of the substantial shareholders listed in the holding company's register as at 30 June 2014 are:

	Number	
Shareholder	**Ordinary**	**Preference**
Focal Creation International Holdings Ltd	28,500,000	Nil
Parkhill Management Ltd	14,560,488	Nil

d. **Voting Rights**

The voting rights attached to each class of equity security are as follows:

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

e. **20 Largest Shareholders — Ordinary Shares**

	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
Focal Creation International Holdings Limited	28,000,000	10.00%
Park Hill Management	14,560,488	6.30%
Focal Creation International Holdings Limited – Trust Account 1	10,092,866	4.37%
Honour Will Consultants Limited	10,000,000	3.57%
Kilaksom Pty Ltd ATF Moskalik Family Trust No 2	9,647,894	3.45%
Patrick Hoyin Lam	9,426,862	3.20%
Lee, Chuly	8,485,957	3.03%
Focal Creation International Holdings Limited – Trust Account 2	8,062,350	2.88%
Thomas E Jones	5,372,130	2.33%
John Philips Orbeta	5,146,222	2.23%
Geoffrey Barker	4,956,239	2.15%
Rodney Jones	3,757,458	1.63%
Hyangly Lee	3,573,024	1.55%
Lloyd Peter Moskalik	3,500,000	1.52%
Chuly Lee	2,800,000	1.21%
Hung Ngok Wong	2,720,000	1.18%
Harrii Investment Pty Ltd	2,327,894	1.01%
Focal Creation International Holdings Limited – Trust Account 3	2,148,448	0.93%
Grundmann, Terence	1,657,166	0.78%
Minnow Holding Pty Ltd	1,548,381	0.67%
	137,783,379	53.99%

2. The name of the company secretary is Derek Condell.

3. The address of the principal registered office in Australia is

   Level 1, 1A Sydenham Road, Brookvale, NSW 2100, Australia

4. Registers of securities are held at the following addresses

   Board Room Pty Ltd Level 7, 207 Kent Street, Sydney, NSW 2000, Australia

5. **Stock Exchange Listing**

   Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the National Stock Exchange Limited.

6. **Unquoted Securities**

   There are 27,235,380 options on issue to directors and employees of Oceanethix International Holdings Limited.