

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR HALF YEAR ENDED 30 JUNE 2015

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

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PART I: INFORMATION REQUIRED FOR HALF YEAR ANNOUNCEMENTS

1. (a) (i) A statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group Unaudited half year ended 30 June		Increase / (Decrease) %
	2015 RMB'000	2014 RMB'000	
Revenue	77,470	251,596	(69)
Cost of sales	(79,186)	(232,049)	66
Gross (loss)/profit	(1,716)	19,547	NM
Other income	376	1,091	(66)
Other losses	(230)	(65)	254 *
Distribution expense	(1,729)	(2,114)	(18)
Administrative expense	(10,579)	(9,312)	15
Other expense	(44)	(155)	(72)
Results from operating activities	(13,922)	8,992	NM
Finance income	3	14	(79)
Finance expense	(4,592)	(2,106)	118 *
(Loss)/Profit before income tax	(18,511)	6,900	NM
Income tax expense	(73)	(3,666)	(98)
Net (Loss)/profit	(18,584)	3,234	NM

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Group Unaudited half year ended 30 June		
	2015	2014	Increase / (Decrease)
	RMB'000	RMB'000	%
(Loss)/Profit attributable to:			
Owners of the Company	(18,584)	3,208	NM
Non-controlling interests	-	26	NM
Net (Loss)/Profit	(18,584)	3,234	NM
Other comprehensive income for the period			
Items that are or may be reclassified subsequently to profit or loss:			
- Foreign currency translation differences	573	(123)	NM
Other comprehensive income for the period, net of tax	573	(123)	NM
Total comprehensive income for the period, net of tax	(17,989)	3,111	NM
Total comprehensive income attributable to:			
Owners of the Company	(18,011)	3,085	NM
Non-controlling interests	22	26	NM
Total comprehensive income for the period	(17,989)	3,111	NM
Gross profit margin	-2.2%	7.8%	
Net profit margin	-24.0%	1.3%	

NM: Not Meaningful

* The HY2014 comparative figures has been reclassified to conform with HY2015 presentation.

1. (a) (ii) Notes to statement of comprehensive income for the current financial year reported on and the corresponding period of the immediately preceding financial year.

Net profit/(loss) for the period is arrived at after charging/(crediting) the following items:

	Group Unaudited half year ended 30 June		Increase/ (Decrease)
	2015	2014	
	RMB'000	RMB'000	%
Amortisation of prepaid leases	200	267	(25)
Bad debts written off	66	-	NM
Depreciation of property, plant and equipment	3,102	4,668	(34)
Directors' remuneration	748	472	58
Directors' fees	392	423	(7)
Foreign exchange loss, net	164	65	152
Finance income	(3)	(14)	(79)
Finance expense	4,592	2,106	118
Impairment of inventory	157	-	NM
Operating lease expense	733	1,015	(28)
Other income comprised of:-			
- Government incentives	(161)	(540)	70
- Sale of production slag	-	(350)	NM

1. (b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	30.06.2015	31.12.2014	30.06.2015	31.12.2014
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(audited)	(unaudited)	(audited)
Non-current assets				
Property, plant and equipment	182,973	159,232	3,304	2,651
Prepaid lease	23,482	23,682	-	-
Intangible assets	161	9	160	-
Subsidiaries	-	-	1	1
Deferred income tax assets	750	750	-	-
Other non-current assets	32,847	57,017	-	-
	<u>240,213</u>	<u>240,690</u>	<u>3,465</u>	<u>2,652</u>
Current assets				
Inventories	11,737	24,452	-	219
Trade and other receivables	56,070	35,729	172,466	163,429
Cash and cash equivalents	10,499	5,444	1,858	1,500
	<u>78,306</u>	<u>65,625</u>	<u>174,324</u>	<u>165,148</u>
Current liabilities				
Trade and other payables	58,428	59,274	14,550	17,900
Borrowings	90,838	86,964	13,838	17,271
Current income tax liabilities	2,650	796	-	-
	<u>151,916</u>	<u>147,034</u>	<u>28,388</u>	<u>35,171</u>
Net current (liabilities)/ assets	(73,610)	(81,409)	145,936	129,977
Non-current liabilities				
Convertible notes	25,311	-	25,311	-
Net assets	<u>141,292</u>	<u>159,281</u>	<u>124,090</u>	<u>132,629</u>
Equity				
Capital and reserves attributable to owners of the Company				
Share capital	179,491	179,491	179,491	179,491
Reserves	(37,655)	(19,644)	(55,401)	(46,862)
Total equity attributable to owner's equity	<u>141,836</u>	<u>159,847</u>	<u>124,090</u>	<u>132,629</u>
Non-controlling interests	(544)	(566)	-	-
Total equity	<u>141,292</u>	<u>159,281</u>	<u>124,090</u>	<u>132,629</u>

1. (b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand:

As at 30/06/2015		As at 31/12/2014	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
77,000	13,838	65,000	21,964

Amount repayable after one year:

As at 30/06/2015		As at 31/12/2014	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
Nil	25,311	Nil	Nil

Explanatory notes on Loans and Borrowings:

1. Secured loans and borrowings of RMB77 million comprise the following:

- (a) Bank loan I amounting to RMB20 million was secured by legal charge over land use right of Jiangyin Chengsheng Engineering Co., Ltd (江阴澄盛机械制造有限公司)(“**JYCS**”) and corporate guarantee from Xinghua Rongcheng Precision Manufacturing Co., Ltd (兴化市荣澄精密铸造有限公司)(“**XHRC**”), where both are wholly-owned subsidiaries of the Group in PRC. Average interest rate for bank loan I during the financial period was 5.61% per annum.
- (b) Bank loan II amounting to RMB15 million was secured by personal guarantee by the Group's Non-Executive Chairman and controlling shareholder of the Company, Wu Dingrong and a corporate guarantee by a related party, Jiangyin Jincheng Steel Co., Ltd (‘江阴锦澄钢铁有限公司’) (“**JYJC**”) (an associated company of Wu Dingrong). Average interest rate for bank loan II during the financial period was 8.4% per annum.
- (c) Bank loan III amounting to RMB10 million was secured by legal charge over plant and machinery of XHRC. Average interest rate for bank loan III during the financial period was 8.4% per annum.
- (d) Bank loan IV amounting to RMB20 million was secured by corporate guarantee from JYCS and JYJC. Average interest rate for bank loan IV during the financial period was approximately 8.4% per annum.
- (e) Bank loan V amounting to RMB 12 million was secured by legal charge over plant and machinery of XHRC. Average interest rate for bank loan V during the financial period was 8.4% per annum.

2. The unsecured convertible notes amounting to SGD3,000,000 issued on 22 August 2012 and due on 21 August 2015 bear an interest rate of 8% per annum. The notes are convertible into new ordinary shares in the capital of the Company. The terms of conversion are stated below:

The holders of the notes have the rights at any time to convert all or any number of notes (but not part of any note) up to the entire amount of the notes into ordinary shares at the following prices:

- (a) Where the conversion right is exercised on or before the day immediately preceding the expiration of the 12th month following the subscription date, the conversion price of S\$0.12 per share;
- (b) Where the conversion right is exercised on or between the day of the expiration of the 12th month following the subscription date and the day immediately preceding the expiration of the 24th months following the subscription date, the conversion price of S\$0.13 per share;
- (c) Where the conversion right is exercised on or between the day of the expiration of the 24th month following the subscription date and the day immediately preceding the expiration of the 36th months following the subscription date, the conversion price of S\$0.14 per share;
- (d) Where the conversion right is exercised after the day immediately subsequent to the expiration of the 36th month following the subscription date and the expiration of the 37th months from the issue of the note, the conversion price of S\$0.15 per share.

3. The unsecured convertible notes amounting to SGD5,500,000 issued on 24 January 2015 and due on 23 January 2018 bear an interest rate of 8% per annum. The notes are convertible into new ordinary shares in the capital of the Company. The terms of conversion are stated below:

The holders of the notes have the rights at any time to convert all or any number of notes (but not part of any note) up to the entire amount of the notes into ordinary shares at the following prices:

- (e) Where the conversion right is exercised on or before the day immediately preceding the expiration of the 12th month following the subscription date, the conversion price of S\$0.13 per share;
- (f) Where the conversion right is exercised on or between the day of the expiration of the 12th month following the subscription date and the day immediately preceding the expiration of the 24th months following the subscription date, the conversion price of S\$0.14 per share;
- (g) Where the conversion right is exercised on or between the day of the expiration of the 24th month following the subscription date and the day immediately preceding the expiration of the 36th months following the subscription date, the conversion price of S\$0.15 per share;
- (h) Where the conversion right is exercised after the day immediately subsequent to the expiration of the 36th month following the subscription date and the expiration of the 37th months from the issue of the note, the conversion price of S\$0.16 per share.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Group	
	Unaudited half year ended 30 June	
	2015	2014
	RMB'000	RMB'000
<u>Cash flows from operating activities</u>		
(Loss)/Profit before income tax	(18,511)	6,900
Adjustments for :		
Depreciation of property, plant and equipment	3,102	4,668
Amortisation of prepaid lease	200	267
Bad debt written off	66	-
Impairment of inventory	157	-
Interest income	-	(14)
Interest expense	4,592	2,106
Operating cash flows before working capital changes	(10,394)	13,927
Decrease/(Increase) in inventories	12,558	(912)
Decrease in trade and other receivables	(20,407)	(100,008)
Decrease/(Increase) in trade and other payables	1,008	35,505
Cash used in operations	(17,235)	(51,488)
Income taxes paid	(73)	(2,827)
Net cash used in operating activities	(17,308)	(54,315)
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(2,673)	(4,353)
Purchase of intangible asset	(152)	-
Interest received	-	14
Net cash used in investing activities	(2,825)	(4,339)
<u>Cash flows from financing activities</u>		
Proceeds from bank borrowings	12,000	95,000
Proceeds from convertible notes	17,185	-
Decrease/(Increase) in deposit pledged	500	(15,000)
Repayment of amount due to related parties (non-trade)	-	(14,741)
Interest paid	(4,592)	(1,950)
Net cash generated from financing activities	25,093	63,309
Net increase in cash and cash equivalents	4,960	4,655
Effect of exchange rate fluctuation on cash	595	574
Cash and cash equivalents at beginning of the period	3,444	7,582
Cash and cash equivalents at end of the period	8,999	12,811



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(Incorporated in the Republic of Singapore)
Company Registration No.: 200401998C

CONSOLIDATED STATEMENT OF CASH FLOWS (CON'T)

	Group	
	Unaudited half year ended 30 June	
	2015	2014
	RMB'000	RMB'000
Cash at bank and in hand	10,499	36,927
Less: Deposits pledged for bank borrowings	(1,500)	(24,116)
Cash and cash equivalents	8,999	12,811



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1. (d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital reserve	Statutory reserve	Foreign currency translation reserve	Accumulated losses	Attributable to owners of the Company	Non- controlling interests	Total equity
<u>Group</u>	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014	179,491	2,174	2,756	(864)	(14,832)	168,725	(496)	168,229
Total comprehensive income for the period								
Profit for the period	-	-	887	-	2,321	3,208	26	3,234
Other comprehensive income								
- Foreign currency translation difference	-	-	-	(123)	-	(123)	-	(123)
Total comprehensive income for the period	-	-	887	(123)	(2,321)	3,085	26	3,111
At 30 June 2014	179,491	2,174	3,643	(987)	(12,511)	171,810	(470)	171,340
Balance at 1 January 2015	179,491	2,174	3,368	(843)	(24,343)	159,847	(566)	159,281
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(18,584)	(18,584)	-	(18,584)
Other comprehensive income								
- Foreign currency translation difference	-	-	-	573	-	573	22	595
Total comprehensive income for the period	-	-	-	573	(18,584)	(18,011)	22	(17,989)
At 30 June 2015	179,491	2,174	3,368	(270)	(42,927)	141,836	(544)	141,292



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STATEMENTS OF CHANGES IN EQUITY (CON'T)

	Share capital	Capital reserve	Foreign currency translation reserve	Accumulated losses	Total equity
<u>Company (Unaudited)</u>	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014	179,491	2,174	(6,130)	(23,005)	152,530
Total comprehensive income for the period					
Loss for the period	-	-	-	(5,897)	(5,897)
Other comprehensive income					
- Foreign currency translation difference	-	-	4,861	-	4,861
Total comprehensive income for the period	-	-	4,861	(5,897)	(1,036)
Balance at 30 June 2014	179,491	2,174	(1,269)	(28,902)	151,494
Balance at 1 January 2015	179,491	2,174	(10,308)	(38,728)	132,629
Total comprehensive income for the period					
Loss for the period	-	-	-	(6,276)	(6,276)
Other comprehensive income					
- Foreign currency translation difference	-	-	(2,263)	-	(2,263)
Total comprehensive income for the period	-	-	(2,263)	(6,276)	(8,539)
Balance at 30 June 2015	179,491	2,174	(12,571)	(45,004)	124,090



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1. (d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Share Capital of the Company as at	30.06.2015	31.12.2014
Number of ordinary shares	387,730,870	387,730,870

Convertible Shares of the Company as at	30.06.2015	31.12.2014
Number of shares that may be issued on conversion of all outstanding convertible notes	63,736,264	21,428,571

There was no conversion of any outstanding convertible notes from 1 January 2015 to 30 June 2015.

The increase in the number of shares that may be issued upon conversion of all outstanding convertibles notes as at 30 June 2015 was mainly due to the issuance of unsecured convertible notes amounting to S\$5,500,000 pursuant to a subscription agreement dated 8 January 2015.

The convertible notes issued on 22 August 2012 amounting to S\$3,000,000 will be matured on 21 August 2015 and the Company intends to redeem all outstanding notes in accordance with the term and conditions of the notes. For detail, please refer to the Company's announcement dated 21 July 2015.

The Company did not hold any treasury shares as at 30 June 2014 and 30 June 2015 respectively.

On 3 August 2015, the Company received the listing and quotation from SGX-ST for the listing of and quotation of 140,000,000 new ordinary shares in the share capital of the Company on the Catalist Board of the SGX-ST pursuant to the "Proposed Acquisition of 100% Equity Interest in Wan Dormitory Pte. Ltd." and the "Proposed Placement of 50,000,000 New Ordinary Shares in the Share Capital of Oriental Group Ltd". For details, please refer to the Company's announcements dated 4 August 2015 and 14 July 2015.



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1. (d) (iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	Group and Company	
	30.06.2015	31.12.2014
	No. of shares	No. of shares
Total number of issued shares	387,730,870	387,730,870

1. (d) (iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable. The figures have not been audited or reviewed by the Company's auditors.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period, which are consistent with the most recently audited consolidated financial statements for the financial period ended 31 December 2014.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted the new or revised Singapore Financial Reporting Standards (FRS) and the interpretation of FRS (INT FRS) that are relevant to its operations and effective for annual period beginning on or after 1 January 2015. The adoption of the new or revised FRS and INT FRS did not have a material impact on the financial statements of the Group and the Company for the current financial year reported on.



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6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group	
	Half year ended 30 June	
	2015	2014
	RMB'000	RMB'000
Net (Loss) / Profit for the period	(18,584)	3,208
Earnings per share		
Basic (loss)/earnings per share (in RMB cents)	(4.79)	0.83
Diluted (loss)/earnings per share (in RMB cents)	(4.79)	0.83
Weighted average number of shares outstanding for basic earnings per share	387,730,870	387,730,870

At 30 June 2015 and 30 June 2014, the conversion effects of the convertible loan notes were excluded from the diluted weighted average number of ordinary shares calculation as their effects would have been anti-dilutive due to its interest (net of tax) per ordinary share obtainable from the convertible notes exceeds the Group's basic earnings per share.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued share excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.**

	Group		Company	
	30.06.2015	31.12.2014	30.06.2015	31.12.2014
Net assets (RMB'000)	141,292	159,281	124,090	132,629
Net asset value per ordinary share based on the existing issued share capital as at the respective period (RMB cents)	36.44	41.08	32.00	34.21

The Group's and the Company's net assets value per ordinary share as at 30 June 2015 and 31 December 2014 have been computed based on the total number of issued ordinary shares of 387,730,870.



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8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

8. (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors.

REVIEW OF RESULTS OF OPERATIONS

Revenue

	HY2015		HY2014		HY-on-HY	
	(RMB million)	%	(RMB million)	%	(RMB million)	%
PRC Domestic Sales	26.16	34.2	210.50	83.7	(184.35)	(87.6)
Overseas Sales	50.15	65.6	39.34	15.6	10.82	27.5
Sales of Scrap Metal	0.16	<1	1.76	0.7	(1.61)	NM
Total	77.47	100	251.60	100	(174.13)	(69.2)

Domestic Sales in PRC represents sales of steel bars and billets manufactured by the Group in PRC, whereas Overseas Sales are trading of steel related products in South East Asia countries ("SEA"). Sales of Scrap Metal refers to sales of scap metal from the production of steel bars in PRC.

PRC Domestic Sales has dropped by RMB184.35M or 88% HY-on-HY mainly due to:

- (a) halt of XHRC steel billets production and sales since Q4 FY2014 as the XHRC Phase II plant extension to incorporate the rolling mill capabilities into XHRC existing production facilities is under construction in HY2015. Total revenue contributed by XHRC steel billet production in HY2014 was RMB110.46M; and
- (b) drop in average selling price of steel bar in HY2015; the average selling price per tonne of steel bar has dropped approximately by 25% in HY2015 as compared to HY2014; and
- (c) drop in sales volume of steel bar in HY2015 as a result of the softened market demand and stiff competition in the PRC market. The sales volume for steel bar has dropped by 63% in HY2015 as compared to HY2014.

The increase in Overseas Sales by RMB10.82M or 27.5% HY-on-HY was mainly contributed by higher sales orders received from Singapore, Malaysia and Indonesia after the Group has established its Steel Trading Division in Singapore and extended its marketing networks to South East Asia market. The increase was partially offset by a drop in general average selling price for steel products by 14.6% in HY2015.

Gross Profit

The Group recorded a gross loss of RMB1.7M in HY2015 as compared to a gross profit of RMB19.5M in HY2014 mainly due to the following:

- (a) Gross loss of RMB3.3M recorded by JYCS in HY2015. This was mainly due to higher production cost due to the under-utilisation of JYCS's production facilities against the backdrop of lower sales and production volume in HY2015. In HY2014, JYCS achieved a gross profit of RMB 8.9M.
- (b) No revenue was generated from XHRC due to a halt of XHRC steel billet production since Q4 FY2014. Total gross profit contributed by XHRC in HY2014 was RMB10M.



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However, the drop in gross profit contributed by the above subsidiaries was partially offset by an increase in gross profit contributed from Oversea Sales by RMB1.5M due to the increase in sales orders as elaborated above. Depreciation of property, plant and equipment decreased by RMB1.57M from RMB4.7M in HY2014 to RMB3.1M in HY2015. This was due to lower depreciation expense incurred for XHRC's plant and machinery arising from the production halt in HY2015.

Other income

Other income decreased by RMB0.7M from RMB1.1M in HY2014 to RMB0.37M in HY2015, which was mainly due to a decrease in PRC government export incentive of RMB0.38M and the absence of the sale of production slag of RMB0.35M. The decrease in PRC government export incentive was due to no export sales in HY2015 from the PRC subsidiaries. There was no sale of production slag as XHRC production was halted in HY2015.

Other losses

The increase in other losses for HY2014 was mainly due to foreign currency exchange loss.

Distribution expense

Distribution expense mainly comprised of selling and transportation expenses incurred for distributing steel products manufactured by the PRC subsidiaries and carriage inward for trading of steel products in SEA. Distribution expense dropped by RMB0.3M or 18% from RMB2.1M in HY2014 to RMB1.7M in HY2015 with lower sales recorded in HY2015. The decrease was partially offset by an increase in carriage inward incurred from higher Overseas Sales.

Administrative expense

Administrative expense increased by RMB1.3M or 15%, from RMB9.3M in HY2014 to RMB10.6M in HY2015. This was mainly due to professional fees incurred for corporate exercises in HY2015 and additional staff strength in setting up of Overseas Sales division.

Finance expense

Finance expense increased by RMB2.5M or 118%, from RMB2.1M in HY2014 to RMB4.6M in HY2015. The increase was mainly attributed to interest costs incurred on convertible notes issued on 8 January 2015 and additional bank borrowings obtained by the Group PRC subsidiary in second half of FY2014 amounting to RMB50M. The finance expense in HY2015 from the additional convertible notes and bank loan were RMB1.0M and RMB1.5M respectively. These additional borrowings were for working capital and capital expenditure purposes.

Income tax expense

Income tax expense decreased by RMB3.6M from RMB3.7M in HY2014 to RMB0.01M in HY2015. The decrease was mainly due to the Group's operating loss position in HY2015.



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8. (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

REVIEW OF STATEMENT OF FINANCIAL POSITION

Non-current assets

Property, plant and equipment ("PPE") and Other non-current assets

The Group's total PPE increased by RMB23.7M from RMB159.2M as at 31 December 2014 to RMB183.0M as at 30 June 2015. The increase was due to reclassification of plant and machinery in Other Non-current Assets relating to the XHRC Phase II extension to PPE.

Current assets

Inventories

The Group's inventories mainly comprised of finished-goods steel products and raw materials such as flat bar, steel billet, and scrap metal, etc. Inventories dropped by RMB12.7M or 52% from RMB24.5M as at 31 December 2014 to RMB11.7M as at 30 June 2015. The decrease was mainly due to lower volume of inventory maintained by the Company in HY2015 in view of the weak market demand on steel products as well as lower average cost of inventory arising from a general decline in raw material prices.

Trade and other receivables:

	30.06.2015 RMB '000	31.12.2014 RMB '000
Trade receivables and bill receivables	31,250	17,748
Other receivables, prepayments and deposits	24,820	17,981
	<u>56,070</u>	<u>35,729</u>

The increase in trade and bill receivables by RMB13.5M from RMB17.7M as at 31 December 2014 to RMB31.3M as at 30 June 2015 was mainly due to (a) increase in trade receivables from Overseas Sales of RMB4.6M arising from higher sales recorded and (b) increase in trade receivables due from its related parties of RMB8.9M which arose from the sale of an old lot of inventory to a related party in June 2015. Total amount due from related parties as at 30 June 2015 included in trade receivables was RMB11.2M (31 December 2014: RMB0.5M).

Other receivables, prepayments and deposits increased by RMB6.8M from RMB18.0M as at 31 December 2014 to RMB24.8M as at 30 June 2015 was mainly due to an increase in VAT tax recoverable of RMB4.5M arising from the installation of production machinery for XHRC's Phase II plant extension project. The increase in RMB2.5M for prepayments was mainly for payment made to supplier of RMB2M for purchase of steel billets and increase in other receivables and deposits of RMB0.5M for warehouse rental deposits arising from setting up of Overseas Sales Trading office. Total amount due from related parties as at 30 June 2015 included in other receivables was RMB11.8M (31 December 2014: RMB10.7M).



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Current liabilities

Trade and other payables:

	30.06.2015	31.12.2014
	RMB '000	RMB '000
Trade payables and bill payables	10,820	11,315
Advance payments received from customers	975	1,984
Other payables and accruals	41,108	40,107
Amount due to directors	5,525	5,868
	<u>58,428</u>	<u>59,274</u>

Trade payables and bill payables were mainly amount due to supplier for steel billets and other steel trading products.

Other borrowings:

	30.06.2015	31.12.2014
	RMB '000	RMB '000
Convertible notes – current	13,838	13,752
Bank borrowings	77,000	65,000
Other borrowings	-	8,212
	<u>90,838</u>	<u>86,964</u>

The increase in bank borrowing was mainly due to the Group obtaining an additional RMB12M loan from a PRC bank in HY2015 for working capital and capital expenditures. Other borrowings as at 31 December 2014 relates to monies received from third parties amounting to RMB8.2M as advances for the subscription of convertible notes which had been reclassified as non-current convertible notes upon the subscription on 8 January 2015.

Convertible notes

The increase in convertible notes was mainly due to the issuance of SGD5.5M convertible notes by the Company on 8 January 2015.



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REVIEW OF CONSOLIDATED STATEMENT OF CASH FLOWS

In HY2015, the net cash used in operating activities was RMB17.3M. This was mainly due to the Group suffering an operating loss of RMB 18.5M in HY2015.

Net cash used in investing activities was RMB2.8M mainly due to the purchase of machinery in HY2015.

Net cash generated from financing activities was RMB25.1M due to net proceeds from bank borrowings obtained by PRC subsidiaries of RMB12M and proceeds from issuance of convertible notes of RMB17.2M in HY2015. Net cash and cash equivalents of the Group increased by RMB5.0M in HY2015.

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

Management had in the FY2014 Annual Report indicated that they expected the operating cash flows in FY2015 to be positive. However, due to the worse than expected decline in the PRC domestic demand for steel bar and increased competition, the Group's HY2015 sales volume and profit margin has suffered, resulting in a net operating loss of RMB18.5M and a negative operating cash flows of RMB17.3M for HY2015.

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

Industry Outlook

The outlook of the Global steel industry is expected to remain challenging in second half of 2015. The PRC domestic market is still struggling with both overcapacity in steel production supply and slowdown in steel consumption demand. However, PRC remains one of the fastest growing economies and management believes that infrastructure development projects will continue to drive the steel consumption demand.

Group Outlook

Domestic Sales in PRC

The Group currently has two production facilities in PRC, namely XHRC and JYCS. XHRC's existing facilities (Phase I) uses scrap metal to produce steel billets, which is an industrial material for the production of steel bars in rolling mills. JYCS is a bar rolling mill which processes billets into steel bars that are used in the production of machinery parts.

In Q4 FY2014, the Group has commenced XHRC Phase II plant extension (to incorporate the rolling mill capabilities into XHRC so that the facility is able to engage in one continuous production from scrap metal to steel bars, also known as strand casting). During the construction period, XHRC's production of steel billets has been halted. Management had initially expected the completion to be in 3Q FY2015, however, it now expects a delay in the completion of Phase II construction. This is due to the weak economic conditions and financial performance of the Group in HY2015 which resulted in a negative operating cash flow working capital position. As such, management reallocated some funding for XHRC construction to its operations. However, management still remains committed to the Phase II



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plant extension as this will lower its overall production costs in the long run thus enabling the Group to improve its price competitiveness in this market and hence profitability.

JYCS continues to concentrate on the production of its existing product range i.e. steel bars used in machinery parts production, and expects the demand for steel bars in the PRC domestic market to be weak.

Sales outside PRC

The Group had in HY2015 set up its Steel Trading Division in its Singapore sales office and had expanded its steel trading business operation and market presence to other South East Asian countries. However, the overall steel trading business in SEA remains challenging.

Other Corporate Activities

As announced on 14 July 2015, the Group had entered into:

- a sale and purchase agreement to acquired the entire issued and paid-up share capital of Wan Dormitory Pte Ltd ("Wan Dormitory") for an aggregate consideration of S\$11M. The consideration payable for the acquisition will be satisfied by both cash of S\$2M and issuance of 90,000,000 new ordinary shares in the capital of the Company amounting to S\$9M; and
- a placement agreement with 2 placees to issue 50,000,000 new ordinary shares in the capital of the Company at an issue price of S\$0.10 per placement share for an aggregate consideration of S\$5M. The Company intends to use the proceed to redeem the convertible notes due on 21 August 2015 and as general working capital purpose to support the Group's steel trading business in Singapore.

Wan Dormitory is an industrial property management company and its principal asset is a tenanted 3-storey light industrial development with approved secondary workers' dormitory on a 30-year leasehold land at Woodland Industrial Park, Singapore. The remaining lease as at 30 June 2015 is 22 years.

The Group's overall financial results for FY2015 is expected to be affected with the absence of third party direct billet sales during the construction period of XHRC's Phase II plant extension project and the current weak market demand on steel products in both PRC and SEA. The Group will continue to explore and evaluate prospective acquisitions and/or joint venture targets in order to improve the profitability of the Group and diversify its income streams.

Negative working capital

The Group had a negative working capital of approximately S\$73.6 million as at 30 June 2015. Notwithstanding this, the Group is of the view that it is able to meet its financial obligations as and when they fall due for the foreseeable future due to the following:

- The Directors have evaluated all the relevant facts available to them and are of the opinion that the Group has good track records and relationships with the banks which enable it to continue rolling over the current bank borrowings and credit facilities;
- The majority shareholder and non-executive Chairman has provided a personal undertaking to provide continuing financial support to the Group and Company; and
- Management is actively exploring various debt and equity funding options available to the Group.



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11. If a decision regarding dividend has been made:

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

No dividend was declared for HY2015.

(b) (i) Amount per share (cents)

Not applicable.

(b) (ii) Previous corresponding period (cents)

Not applicable. No dividend was declared for HY2014.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

No dividend has been declared or recommended for HY2015.

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

Interested person transaction

The Group has obtained a general mandate from shareholders of the Company for interested person transactions (including the Off Take Agreement) (the "General Mandate") on 30 April 2015. The interested person transactions entered into in HY2015 were:



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Name of the Interested Person	Aggregate value of all interested person transactions entered during the financial period under review (excluding transactions less than S\$100,000 and excluding transactions conducted under the shareholders' mandate pursuant to Rule 920 of the Catalist Rules) RMB'000	Aggregate value of all interested person transactions conducted during the financial period under review under shareholders' mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S\$100,000) RMB'000
Purchase of steel related products from 江阴锦澄钢铁有限公司* (Jiangyin Jincheng Steel Co., Ltd.). The transaction was conducted under the Generate Mandate.	-	1,885
Sales of steel related products to 江阴锦澄钢铁有限公司* (Jiangyin Jincheng Steel Co., Ltd.). The transaction was conducted under the General Mandate.	-	8,894

* These companies are deemed as associates of the Non-Executive Chairman and the controlling shareholder of the Company, Wu Dingrong by virtue of his interests in these companies.

14. Use of Proceeds

As at the date of this announcement, the net proceeds of \$5,445,000 from the convertible notes issued on 24 January 2015 have been utilised as follows:

	SGD' million
Net proceeds from issuance of convertible notes	5.44
Use of net proceeds in:	
- Setup of overseas sales trading operation	0.53
- General working capital for overseas sales trading ⁽¹⁾	4.91
Balance unutilised	-

Notes:

(1) The breakdown on the use of working capital for the expansion of overseas sales is as follows:

	SGD' million
Trade and bill receivables	4.24
Other receivables, prepayments and deposits	<u>0.67</u>
	<u>4.91</u>

The above use of net proceeds from the issuance of convertible notes is in accordance with the intended use as stated in the Company's announcement dated 8 January 2015.



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15. Negative assurance confirmation on interim financial results pursuant to Rule 705(5) of the Listing Manual Section B: Rules of Catalist of the SGX-ST

The Board of Directors has confirmed that to the best of their knowledge, that nothing has come to their attention which may render the unaudited financial statements for HY2015 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Lee Wan Sing
Director

Wu Dingrong
Director

14 August 2015