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东 方 集 团
ORIENTAL GROUP LTD



Rising to the Challenge

Annual Report 2014

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PROXY FORM

This document 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 Catalist. The Sponsor has not verified the contents of this document.

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

The contact person for the Sponsor is Mr Lance Tan, Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.

CORPORATE PROFILE

Oriental Group Ltd. ("Oriental Group"), stock code: 5FI.SG, is a public listed company in SGX-Catalist since 19 November 2004. Oriental Group is a steel manufacturing and trading group with an integrated steel mill. Oriental Group's main products are steel billets, flat bars used in the industrial and construction industries, and angle bars used in electrical transmission tower. The Group's production facilities are located in both Jiangyin City and Xinghua City, Jiangsu Province, the People's Republic of China, namely Jiangyin Chengsheng Machinery Manufacturing Co., Ltd. ("JYCS") and Xinghua Rongcheng Precision Manufacturing Co., Ltd ("XHRC").

JYCS is a bar rolling mill which processes billets into steel bars that are used in the production of machinery parts and construction of elevator shaft guide rail.

XHRC's existing Phase I production facilities uses scrap metal to produce steel billet, an industrial material sold to angle bar manufacturers.

Currently, XHRC commenced its Phase II plant extension project to incorporate the rolling mill capabilities to produce angle bars which are supplied to electrical transmission tower manufacturers.

The Group has set up a regional office in Singapore to penetrate in to South East Asia market. The Group sells a mixed products of mild steel bars & high tensile steel bars, stainless steel products and various drilling products. The products include:
Steel Products - Steel Billet, Flat Bar, Angle Bar, Channel Bar and Deformed Bar
Stainless Steel Products - Stainless Steel Seamless Pipe and Stainless Steel Flange
Drilling Products

公 司 简 介

东方集团有限公司（简称“东方集团”），自2004年11月19日起在新加坡交易所凯利板上市，股票代码为5FI.SG。东方集团是一家生产和贸易为一体的钢铁企业。目前，东方集团的主要产品是钢坯，工业及建筑业用途的扁钢和电塔业用的角钢。东方集团的生产基地位于中国江苏省江阴市和兴化市，其子公司分别为江阴澄盛机械制造有限公司（“江阴澄盛”）和兴化市荣澄精密铸造有限公司（“兴化荣澄”）。

江阴澄盛主要是以钢坯生产建筑工程机械和电梯导轨配件所用的扁钢。

兴化荣澄的一期主要以废钢为原料生产钢坯，供应给电力角钢的生产厂商。

目前，兴化荣澄二期生产设施正在建设中，以通过连铸连轧的方式，把一期的钢坯，直接生产供电力电塔所用的角钢。

此外，集团已在新加坡设立区域销售中心，借助此平台向东南亚其他地区开发销售渠道。集团代理各种型钢产品，不锈钢产品以及各类石油管件等，如下：
型钢产品 – 钢坯、扁钢、角钢、 槽钢及螺纹钢等
不锈钢产品 – 不锈钢无缝钢管，不锈钢法兰盘
石油管件 – 各类石油管件等。





CHAIRMAN'S STATEMENT



Dear Shareholders

On behalf of the Board of Directors of Oriental Group Ltd. ("Oriental" or the "Company"), and its subsidiaries (collectively, the "Group"), I am pleased to present you the Group's audited financial results for the financial year ended 31 December 2014 ("FY2014").

Navigating through the past year was a challenging task for Oriental on the back of slowing economic growth in China. The China's steel industry in which the Group operates in is still facing overcapacity situation and softening demand. Jiangyin Chengsheng Machinery Manufacturing Co., Ltd. ("JYCS") which produces flat bar for the use in construction and machinery also experienced weaker demand due to the prevailing cooling measures in China's property market.

In spite of the difficult situation, the Group has made strategic decisions by laying the right foundation for future growth.

The existing steel billet production in Xinghua Rongcheng Precision Manufacturing Co., Ltd. ("XHRC") ("Phase I") which sold to bar rolling mills for the production of angle bars used in construction of power transmission tower, suffered a decrease in margin as a result of the intense price competition in People's Republic of China ("PRC"). In view of the aforementioned, the Group decided to incorporate the rolling mill capabilities into XHRC ("Phase II") so the facility is able to engage in one continuous production from scrap metal to steel bars (known as strand casting) which will lower production costs. As such, XHRC's Phase II was undertaken and commenced in the second half year of 2014 and it is expected to complete in second half year of 2015. During the construction of XHRC's Phase II, existing production was put on hold temporarily to cater for such extension.

The Company had, in April 2014, entered into a non-legally binding memorandum of understanding with Chongqing Jodear Power Equipment Co., Ltd ("CJPE"), in which the Group becomes a preferential angle bar supplier to CJPE for a period of two years from May 2014. CJPE was incorporated in Chongqin, PRC in 1996. CJPE is one of the key power transmission tower and telecom transmission tower manufacturers in PRC. CJPE had in FY2014 completed the first phase of the production plant in Xinghua City which is in vicinity to XHRC's plant. Given the close proximity between XHRC and CJPE, both entities are able to maximise operational efficiencies in logistics and transportation of their products. This will create synergy between XHRC & CJPE to provide the best opportunities for success in near future.

As part of the Group's initiative to diversify and expand its presence outside PRC, the Group had in FY2014 commenced its steel trading business in Singapore to expand its business networks.

An experienced sales team is formed to further expand into South East Asian region market. Part of the convertible loan amounting to S$ 5.5 million raised by the Company in January 2015 will be allocated for funding such expansion.

OUTLOOK AND STRATEGY

The outlook of the global steel industry is expected to remain challenging in 2015. Steel prices continue to be under pressure due to oversupply of steel production and slowdown in PRC's economic growth.

However, PRC's long term economic growth remains positive and the increasing development projects in PRC will continue to drive the steel consumption.

According to Xinhua News, "State Grid Investment to hit record in 2015", published on 16 January 2015, and the recent announcement by China's key electricity company, State Grid Corporation of China, in its 2015 investment plan, it aims to spend RMB 420.2 billion on its power transmission grid infrastructure in PRC.

In this regard, the Group believes that the PRC ultra-high voltage ("UHV") power transmission industry will continue to be a growing sector and its long term outlook remains positive. With the completion of XHRC's Phase II, the Group shall be able to tap on the opportunities in fast growing PRC UHV power transmission industry.

For JYCS, the Group will continue to concentrate in the improvement and value-adding for the production of its existing products such as machinery parts production and elevator shaft guide rail.

The Group will continue to leverage on its China production base and expand market presence in both Singapore and other South East Asia countries.

Moving forward, we are selectively exploring new business opportunities with business partners in PRC and outside PRC to diversify Group's business segment and seek for synergies. The Group will continue to explore various funding methods for its expansion.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I wish to convey our heartfelt appreciation to our shareholders, investors, customers, business associates, vendors who have continued to demonstrate their loyal support to the Group.

I would also like to particularly express our sincere thanks to my fellow Board members and our staff for their professionalism, dedication and contributions to the Group.

In 2015, the Group will remain vigilant to counter any changes in our industry conditions while continuing to strengthen our manufacturing operations and address new challenges.

Wu Dingrong
Chairman
10 April 2015





主席致辞

尊敬的股东们，

我代表东方集团有限公司（“东方”或“公司”，连同其所有子公司合称“集团”）董事会，很高兴在此向大家呈报截至2014年12月31日（“2014财年”）集团经审计的财务报告。

过去一年对东方集团来说是具有挑战性的一年。中国经济面临下行压力，增长放缓；而全球经济也表现疲弱。集团所处的中国钢铁行业也仍然面临着产能过剩和需求减弱的不利环境。江阴澄盛机械制造有限公司（“江阴澄盛”），其生产用于建筑和机械行业的扁钢，也因为中国房地产市场的降温而导致需求减弱。

面对困难，集团作出了策略性的调整，为今后的发展奠定坚实的基础。

兴化市荣澄精密铸造有限公司（“兴化荣澄”）第一期的钢坯产品，用于生产电力铁塔的角钢。由于中国市场激烈的价格竞争，导致毛利率下跌。鉴于以上原因，集团决定整合轧钢能力，兴建第二期工程，以便能够不间断地完成从废钢到型钢的一系列生产过程（即链铸造），这将会减低生产成本。因此，兴化荣澄第二期工程于2014年下半年开始动工兴建，并预计在2015年的下半年完工。在兴化荣澄二期建设期间，原有的生产也暂时停产以便扩建。

公司于2014年4月与重庆江电设备有限公司（“重庆江电”）签署了一份无法律约束的合作备忘录。集团从2014年5月其成为重庆江电的优先的角钢供应商，为期两年。重庆江电于1996年在重庆成立，是中国主要的电力和电信传输塔的生产商之一。重庆江电也已于2014年完成了他们在兴化工厂的第一期工程，该厂毗邻我们的兴化荣澄工厂。鉴于兴化荣澄和重庆江电两家紧密相连，双方都可以在交通和产品运输这个环节产生最大化的经济效益。双方合作也可以产生协同效应，互利合作，共创双赢。

作为集团将业务多元化、积极开拓海外市场的战略的一部分，集团于2014财年在新加坡开展了钢铁贸易业务，以扩展业务网络。

集团组建了一只具丰富经验的销售队伍，以拓展东南亚地区的市场。集团将用公司在2015年1月筹集的550万新元的可转换债券中的一部分来支持海外业务拓展。

未来展望和发展策略

2015年全球钢铁行业形势依然严峻。由于产能过剩和中国经济发展放缓，钢铁的价格继续面临下行压力。

然而，中国从长远看仍将保持经济增长；中国基础建设项目仍会推动钢铁产品的需求。

根据2015年1月16日在新华网刊登的一篇文章“国家电网投资2015年将再创新高”，以及中国国家电网公司在2015年将投资4202亿元人民币来建设电力传输基础设施。

因此，集团管理层看好中国高压电力传输业将会继续增长。随着兴化荣澄的二期工程完工，集团将能够搭乘快速增长的高压输电行业的顺风车。

江阴澄盛也将继续集中精力改进用于机械配件生产和电梯导轨用的现有产品的质量并提高附加值。

集团将继续立足中国的生产基地，并积极开拓在新加坡和东南亚市场的销售渠道。

今后，我们也将继续和中国或海外的合作伙伴一起寻找投资机会，以扩大业务范围，追求综效效应。集团也将会继续为业务拓展而寻找各种融资渠道。

衷心感谢

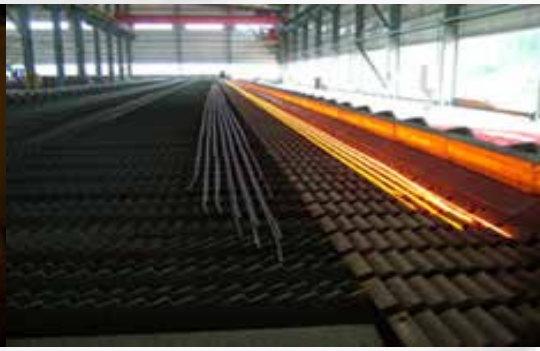
在此，我代表董事会衷心感谢我们的股东、投资者、客户、商业伙伴等对集团发展的大力支持。

我也要特别感谢我的董事会同仁和员工对集团专业性的指导和作出的巨大贡献。

2015年，集团将保持谨慎以应对行业中的任何变化；同时，也继续加强我们的生产运营能力，迎接新的挑战。

吴丁荣
主席
2015年4月10日





FINANCIAL AND OPERATIONS REVIEW

The Group's sales revenue is derived mainly from PRC Domestic Sales and Overseas Sales.

PRC Domestic Sales represent the sales of carbon steel bars and billets which are manufactured by JYCS and XHRC respectively.

The intense competition and softening demand within the steel industry in PRC arising from an overcapacity of steel production supply had resulted in a 14.2% decrease of Group's revenue from RMB 439.1 million in the financial year ended 31 December 2013 ("FY2013") to RMB 376.7 million in FY2014.

PRC Domestic Sales, which accounted for 84.5% of Group's total revenue, declined by RMB 49.2 million to RMB 318.5 million in FY2014 or 13.4% from FY2013 mainly due to the decrease in average selling price ("ASP") of steel billet and flat bar and lower sales volume of steel billet.

Despite actively deploying its sales network in South East Asia region, Overseas Sales, which accounted 15.5% of Group's total revenue, decreased by RMB 13.2 million or 18.5% to RMB 58.2 million in FY2014 from FY2013 due to both the lower ASP and volume achieved for both Singapore and Malaysian markets.

Gross profit declined by RMB 10.1 million or 28.4% from FY2013 to RMB 25.5 million in FY2014 due to lower revenue achieved in FY2014. The gross profit margin decreased from 8.1% to 6.8% as the production costs for PRC Domestic Sales did not decrease in tandem with lower selling prices.

Administrative expense increased by RMB 4.5 million or 24.4% from FY2013 to RMB 23.0 million in FY2014. This was largely due to full year administrative expenses of XHRC being recorded in FY2014 as compared to eight months administrative expense of XHRC recorded in FY2013 upon the completion of the acquisition of XHRC in April 2013. On top of that, the impairment loss of inventories of RMB 1.7 million was made in the same period in view of the declining steel prices.

Depreciation expense more than doubled from RMB 4.6 million in FY2013 to RMB 9.6 million in FY2014. The increase was due to higher depreciation of property, plant and equipment recorded for both XHRC and JYCS in FY2014.

In FY2014, operating lease expense fell by RMB 2.3 million or 54.8% from RMB 4.2 million in FY2013 to RMB 1.9 million in FY2014 due to the absence of leasing expense incurred by JYCS with the acquisition of the production facilities in second half of FY2013 .

As a result of the above, the Group recorded a net loss of RMB 6.3 million in FY2014. The Group's basic and diluted loss per share was RMB 1.59 cents.

As at 31 December 2014, the Group's non-current assets increased by RMB 108.2 million from RMB 132.5 million in FY2013 to RMB 240.7 million in FY2014. The increase was mainly due to the addition of property, plants and equipment ("PPE") and other non-current assets amounting to RMB 60.8 million and RMB 57.0 million respectively. This was offset by depreciation and amortisation expenses of RMB 9.6 million and RMB 0.6 million respectively incurred in FY2014.

Current assets decreased from RMB 182.6 million in FY2013 to RMB 65.6 million in FY2014. Due to lower sales and production volume second half of FY2014, inventory and trade and other receivables decreased by RMB 11.6 million and RMB 94.2 million respectively. Cash and cash equivalent reduced by RMB 11.2 million in FY2014.

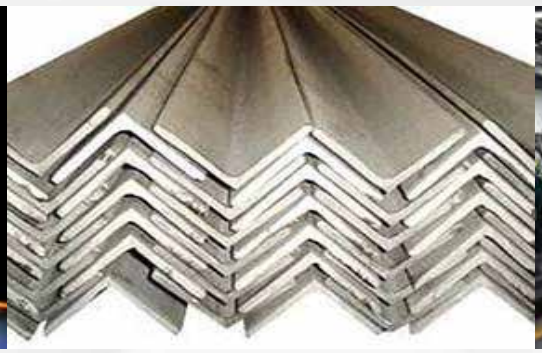
Current liabilities increased from RMB 133.3 million in FY2013 to RMB 147.0 million in FY2014, mainly due to higher bank borrowings and other borrowings of RMB 49.2 million obtained by the Group and reclassification of the Group's existing convertible notes of RMB 13.8 million from non-current liability to current liability. This was partially offset by the decrease in trade payables and other payables of approximately RMB 46.5 million due to lower production volume and lower purchase of raw materials in second half of FY2014, and decrease in current income tax liabilities of RMB 2.7 million due to payments made in FY2014.

FINANCIAL AND OPERATIONS REVIEW

The convertible notes issued by the Company which was re-classified from non-current liabilities in FY2013, to current liabilities in FY2014 will be maturing on 29 July 2015.

The Group's cash and cash equivalents as at 31 December 2014 was RMB 5.4 million compared to RMB 16.6 million in the previous financial year. Net cash generated from operating activities and financing activities were approximately RMB 63.5 million and RMB 47.6 million respectively. The Group utilised RMB 115.4 million in cash to finance its investing activities, mainly for XHRC's Phase II plant extension project and the addition of PPE.

As at 31 December 2014, the Group's net asset value (NAV) per share amounted to RMB 41.08 cents as compared to RMB 43.39 cents a year ago.


财务和运营回顾

集团的销售收入主要来源于中国国内销售和海外销售。

中国国内销售主要为集团两个全资子公司——江阴澄盛和兴化荣澄分别生产的型钢和钢坯的销售。

由于中国国内产能过剩和经济缓慢增长导致钢铁行业市场竞争激烈和需求疲软，集团的营业收入从2013财年的4.391亿元（人民币，下同）降低了14.2%至2014财年的3.767亿元。

中国国内销售占集团总销售的84.5%，与前一年度相比也下降了4920万元或13.4%，至2014财年的3.185亿元。这主要是因为钢坯和扁钢的平均销售价格下跌以及钢坯的销售数量减少。

尽管集团积极拓展东南亚地区的销售网络，占集团总收入15.5%的海外销售收入同比也减少了1320万元或18.5%至5820万元。主要是因为在新加坡和马来西亚市场的钢铁产品平均销售价格和数量都有所下跌。

由于营业收入减少，毛利润同比下降了1010万元或28.4%至2550万元。毛利率则从之前的8.1%降到6.8%，这是因为集团的国内生产成本并没有随着销售价格的降低而减少。

管理费用增加了450万元或24.4%至2014财年的2300万元。这主要是因为本年度记录了兴化荣澄全年度的管理费用，而2013财年只记录了自2013年4月完成收购之后的8个月的管理费用。再加上，由于钢材价格下跌，库存货物产生了170万元的减值损失。

折旧费用与前年相比翻了一倍，从2013财年的460万元增至2014财年的960万元。这主要是因为2014财年兴化荣澄和江阴澄盛的折旧增加。

2014财年运营租金费用降低了230万元或54.8%，从2013财年的420万元降至2014财年的190万元。这是因为江阴澄盛在2013年下半年购买了其之前租用的生产设施，而使得2014财年没有设备租金这一项。

鉴于以上，集团2014财年净亏损为630万元。集团的每股净损失为人民币1.59分。

截至2014年12月31日止，集团总的固定资产增加了1.082亿元，从上一年度的1.325亿元增加到2.407亿元。增加的原因主要是房产、工厂和设备增加了6080万元和其它固定资产增加了5700万元。这部分被960万元折旧费用和60万元摊销费用冲抵。

流动资产从2013财年的1.826亿元减少到2014财年的6560万元。由于在2014财年下半年销售量与产量下降，库存减少了约1160万元以及贸易和其他应收款减少了9420万元。除此，集团总的现金或等价物也减少了约1120万元。

流动负债从2013财年的1.333亿元增加到2014财年1.470亿元。增加的原因主要是集团银行贷款和其他借款上升4920万元，以及集团原有的可转换债券1380万元从长期负债被重新划分为流动负债。由于在2014财年下半年产量下降和减少购买原材料，部分的增幅被减少了4650万元的贸易和其他应付款冲抵。除此，所得税负债也因在2014年付了款而减少了270万元。

公司发行的可转换债券在2013财年被定义为长期负债，2014财年这部分即将在2015年的7月29日到期的负债被重新划分为流动负债。

截至2014年12月31日，集团的现金及等价物为540万元，而2013财年年底为1660万元。运营活动和融资所产生的净现金分别为6350万元和4760万元。集团用了1.154亿元来进行投资，主要是用于兴化荣澄的二期扩建工程和购买设备等。

截至2014年12月31日，集团的每股净资产（“NAV”）为人民币41.08分，而一年前为人民币43.39分。

BOARD OF DIRECTORS



WU DINGRONG
Non-Executive Chairman

Mr Wu Dingrong was appointed as Non-executive Chairman of Oriental Group Ltd. since April 2012. He is responsible for the formulation of the overall business direction and strategies of the Group. Mr Wu is the founder and director of Jiangyin Jincheng Steel Co., Ltd. ("Jiangyin Jincheng") since 2003. Mr Wu has extensive industry knowledge and a wide network of business contacts in steel industry in the PRC.

LEE WAN SING
Chief Executive Officer and Executive Director



Mr Lee Wan Sing was appointed as the Chief Executive Officer of Oriental Group Ltd. on September 2014, and was appointed the Executive Director since 29 November 2010. He is responsible for the overall management, operations and performance of the Group. Mr Lee started his career in the audit industry with KPMG LLP in Singapore. He went on to hold senior management position in the finance departments of Nico Steel Holdings Ltd and Oceanus Group Limited, both listed on the SGX-ST. Mr Lee was appointed as the Finance Manager of the Company in January 2005 and subsequently held the role of Chief Financial Officer from August 2006 to July 2007. Mr Lee is a fellow member of the Association of Chartered Certified Accountants, United Kingdom (FCCA), a non-practising member of the Institute of Singapore Chartered Accountants (ISCA) and Malaysian Institute of Accountants (MIA). He is also a member of the Singapore Institute of Directors (SID).



SUN LU
Executive Director

Mr Sun Lu was appointed as Executive Director of Oriental Group Ltd. since September 2012. He is responsible for the promotion, development and expansion of the business of the Group and the management of the Company's operations and the management of other Group's companies. Mr Sun had been a trading manager, sales manager and deputy manager of Jiangyin Jincheng between 2003 and 2011. Since 2011 to present, he is the Chief Operating Officer of Jiangyin Chengsheng Machinery Manufacturing Co., Ltd.

BOARD OF DIRECTORS



ONG WEE CHUAN
Non-Executive Director

Mr Ong Wee Chuan was appointed as Non-Executive Director of Oriental Group Ltd. since September 2012. He is the founder and director of Golden Hung Ho Holdings Pte. Ltd. ("GHH") since 2000. As the Executive Director of GHH, he is in charge of the overall operations management, strategic planning and business development of GHH. In addition, Mr Ong is also responsible for the development of branding and marketing of certain selected agency wines and spirits for the South East Asia region. With his extensive experience and wide network of business contacts, Mr Ong's contribution to the business expansion of the Group in the region would be vital. Mr Ong has also served as Chairman of Toh Guan Business Associations in Singapore since 2010.



CHUA HUNG MENG
Independent Director

Mr Chua Hung Meng was appointed as Independent Director of Oriental Group Ltd. since September 2004. Mr Chua Hung Meng has been in the banking industry for 30 over years. Currently, he is an independent director of Lizhong Wheel Group Ltd which is listed on SGX. He is also a board member of NUS Business School Alumni Ltd, BOP Hub Organization and World Toilet Organization. Mr Chua obtained his Bachelor of Business Administration degree from the National University of Singapore in 1981, and received a Masters in Professional Accounting degree from The University of Southern Queensland in 2003.



TAN SONG KWANG
Independent Director

Mr Tan Song Kwang was appointed as Independent Director of Oriental Group Ltd. since February 2004. Mr Tan has extensive corporate banking experience in the Asia Pacific region with a special focus on the PRC, from working in various international banks including, Citibank, BOC, ABOC and OCBC. His areas of specialisation include real estate, trade and special project financing, debt and corporate restructuring, financial modelling and valuation, and corporate finance transactions. In addition, Mr Tan was involved extensively in helping companies to raise funds from the capital markets. He is currently a director of Stratus Capital Pte Ltd. He is the former Independent Non-Executive Director, and Chairman of the Remuneration Committee of China Paper Holdings Limited which is listed on SGX. He obtained his Bachelor of Arts (Economics) degree from the National University of Singapore in 1991.

BOARD OF DIRECTORS



KOH CHOON KONG
Independent Director

Mr Koh Choon Kong was appointed as Independent Director of Oriental Group Ltd. since December 2011. He is currently the Group Finance Director of EtonHouse International Education Group, a leading and rapidly growing pan-Asia education provider of international school and preschool educational services. Prior to this role, he has served as Group CFOs of various SGX-listed corporations - EMS Energy Limited, Fuxing China Group Limited, and China Sunsine Chemical Holdings Ltd. which he helped bring through a successful IPO in 2007. He has more than 18 years of corporate finance, accounting and business experience. He is also currently serving as an Independent Non-Executive Director of China Sunsine Chemical Holdings Ltd, a manufacturer of rubber chemicals. Mr Koh graduated from the Nanyang Technological University with a Bachelor of Accountancy and later obtained his Master of Business Administration degree from the University of Manchester. He is a member of the Singapore Institute of Directors, a Chartered Accountant of Singapore, as well as a CFA charter holder.

EXECUTIVE OFFICER

LEE ONG
Group Financial Controller

Mr Lee Ong was appointed as Group Financial Controller since July 2012. He is responsible for the overall financial functions of the Group, including financial strategy, budgeting and management control, and financial management. He started his career in the audit industry and was an audit manager at Deloittee & Touche LLP Singapore and internal audit manager at Hytex Integrated Berhad, Malaysia. He has more than 10 years in audit and corporate finance industries. Mr Lee is a member of the New Zealand Institute of Chartered Accountants (NZICA) and member of Institute of Singapore Chartered Accountants (ISCA).



GROUP STRUCTURE

ORIENTAL GROUP LTD. (SINGAPORE)
东方集团有限公司

- 55% → **OGL STEEL (M) SDN. BHD. (MALAYSIA)** 东方钢铁（马）有限公司
- 55% → **OGL STEEL (P) PTE. LTD. (SINGAPORE)** 东方钢铁（菲律宾）有限公司
- 100% → **ORIENTAL INVESTMENTS GROUP PTE. LTD. (SINGAPORE)** 东方投资有限公司
  - 100% → **JIANGYIN CHENGSHENG MACHINERY MANUFACTURING CO., LTD. (JIANGYIN, PRC)** 江阴澄盛机械制造有限公司
  - 100% → **XINGHUA XINCHENG TRADING CO., LTD. (XINGHUA, PRC)** 兴化新澄贸易有限公司
    - 100% → **XINGHUA RONGCHENG PRECISION MANUFACTURING CO., LTD. (XINGHUA, PRC)** 兴化市荣澄精密铸造有限公司






CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Wu Dingrong
(Non-Executive Chairman)

Mr Lee Wan Sing
(Chief Executive Officer and Executive Director)

Mr Sun Lu
(Executive Director)

Mr Ong Wee Chuan
(Non-Executive Director)

Mr Chua Hung Meng
(Lead Independent Director)

Mr Tan Song Kwang
(Independent Director)

Mr Koh Choon Kong
(Independent Director)

AUDIT COMMITTEE

Mr Chua Hung Meng
(Chairman)

Mr Tan Song Kwang
(Member)

Mr Koh Choon Kong
(Member)

REMUNERATION COMMITTEE

Mr Koh Choon Kong
(Chairman)

Mr Chua Hung Meng
(Member)

Mr Tan Song Kwang
(Member)

Mr Wu Dingrong
(Member)

NOMINATING COMMITTEE

Mr Tan Song Kwang
(Chairman)

Mr Chua Hung Meng
(Member)

Mr Koh Choon Kong
(Member)

Mr Wu Dingrong
(Member)

COMPANY REGISTRATION NUMBER/ GST REGISTRATION NUMBER

200401998C

REGISTERED OFFICE

10 Upper Aljunied Link, #04-09,
Singapore 367904
Tel: (65) 6282 3382
Fax: (65) 6282 3381
Email: feedback@orientalgroup.com.sg
Website: www.orientalgroup.com.sg

SPONSOR

PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318
Tel : +65 6229 8088

COMPANY SECRETARIES

Mr Ong Wei Jin

Ms Goh Pei Shan

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road
#02-00 Singapore 068898

AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants
8 Cross Street #17-00
PWC Building
Singapore 048424
Partner-in-Charge:
Mr. Lam Hock Choon
(Appointed since financial year ended 31 December 2014)

PRINCIPAL BANKERS

China Merchants Bank
Jiangyin Branch
No. 5, Chengjiang Middle Road,
Jiangyin, Wuxi,
Jiangsu 214400,
PRC.

Jiangsu Xinghua Rural Commercial Bank Co., Ltd
Jinguo Branch
No. 23, Shaoyang Town,
Changan South Road,
Xinghua, Taizhou,
Jiangsu 225700,
PRC.





REPORT ON CORPORATE GOVERNANCE

Preamble

Oriental Group Ltd. (the "**Company**", together with its subsidiaries, the "**Group**") is committed to maintaining good standards of corporate governance, promoting corporate transparency and protecting its shareholders' interests. This report sets out the corporate governance practices of the Company for the financial year ended 31 December 2014 ("**FY2014**") with specific reference to the principles of the Code of Corporate Governance 2012 issued by the Monetary Authority of Singapore (the "**Code**").

The Company has complied substantially with the requirements of the Code and will continue to review its practices on an ongoing basis. It has provided an explanation for any deviation from the Code, where applicable.

1. BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with the Management to achieve this and the Management remains accountable to the Board.

The Board of Directors ("**Board**") has seven members and comprises the following:

Name of Director	Designation
Mr Wu Dingrong	Non-Executive Chairman
Mr Lee Wan Sing	Chief Executive Officer ("**CEO**") and Executive Director
Mr Sun Lu	Executive Director
Mr Ong Wee Chuan	Non-Executive Director
Mr Chua Hung Meng	Lead Independent Director
Mr Tan Song Kwang	Independent Director
Mr Koh Choon Kong	Independent Director

The Board's primary role is to protect and enhance long-term shareholders' value and returns. The Board provides leadership, sets strategic directions, oversees management effectiveness and ensures proper conduct of the Group's business. The Board sets the overall strategy of the Group and ensures that policies and processes are in place for evaluating the adequacy of internal controls, financial reporting, financial performance, risk management and compliance and assumes responsibility of corporate governance framework of the Group.

The key roles of the Board include, *inter alia:*

- reviewing and approving corporate strategies and long-term direction of the Group;
- providing guidance in the proper conduct of the Group's business and assuming responsibility for corporate governance;
- conducting periodic reviews of the Group's internal controls, financial performance, compliance practices and resource allocation;
- ensuring effective management leadership of the highest quality and integrity; and
- approving major investment and divestment proposals, material acquisitions and disposals of assets, the release of the Group's half year and full year financial results announcements and interested person transactions of a material nature.

The Board has delegated certain responsibilities to the Audit Committee ("**AC**"), Remuneration Committee ("**RC**") and Nominating Committee ("**NC**"), (collectively, the "**Board Committees**"). These committees function within clearly defined written terms of reference and operating procedures which are reviewed on a regular basis by the Board.

The Board meets at least twice annually and ad-hoc Board meetings are convened as and when necessary. The Company's Articles of Association ("**Articles**") allow for meetings to be held by way of telephone and conference via electronic communications.

1. BOARD MATTERS (continued)

Board's Conduct of its Affairs (continued)

The attendance of Directors at Board and Board Committees meetings in FY2014 are as follows:

	Board	AC	RC	NC
No. of meetings held	2	2	1	1
Directors	**Number of meetings attended**			
Wu Dingrong	2	2*	1	1
Lee Wan Sing	2	2*	1*	1*
Sun Lu	2	2*	1*	1*
Ong Wee Chuan	2	2*	1*	1*
Chua Hung Meng	2	2	1	1
Tan Song Kwang	2	2	1	1
Koh Choon Kong	2	2	1	1

Note:
** By Invitation*

The Group has adopted internal guidelines on matters that require the Board's approval. These include major policy decisions, major investments and divestments, significant legal and financial issues and other matters as may be considered by the Board.

All newly appointed Directors will undergo an orientation where the Directors would be briefed on the Group's business strategies, operations and organisation structure as well as the statutory and regulatory obligations of being a Director to ensure they are fully aware of their responsibilities and obligations of being a Director. The Company will provide training for first-time Directors in areas such as accounting, legal and industry-specific knowledge as appropriate and such training will be arranged and funded by the Company.

All Board members receive regular training, particularly on relevant new laws, regulations and changing commercial risks, from time to time.

Briefings, updates and trainings for Directors in FY2014 included the following:

- briefing by external auditors to the AC on changes or amendments to accounting standards;
- briefing by the Company Secretary to the Board on guidelines to the Code; and
- courses conducted by the Singapore Institute of Directors.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises seven members, five of whom are Non-Executive Directors, of which three are independent. As such, Guideline 2.1 of the Code is met as the Independent Directors make up more than one-third of the Board.

The NC and Board consider an Independent Director as one who has no relationship with the Company, its related companies, its 10% shareholders or its officers that could interfere or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment of the conduct of the Group's affairs. The independence of each Independent Director is reviewed by the NC at least annually and as and when circumstances demand. The NC had reviewed and confirmed the independence of Mr Chua Hung Meng, Mr Tan Song Kwang and Mr Koh Choon Kong (the "**Independent Directors**") in accordance with the Code and the Independent Directors had also confirmed their independence in accordance with the Code.

1. BOARD MATTERS (continued)

Board Composition and Guidance (continued)

Notwithstanding that Mr Chua Hung Meng and Mr Tan Song Kwang have served on the Board for more than nine (9) years from the date of their first appointment, the Board is of the view that Mr Chua and Mr Tan are independent, taking into consideration that the Company had undertaken a reconstitution of Board members and management team following the Company's expansion into steel business in 2011 and both Mr Chua and Mr Tan had since contributed constructively throughout their term in the Company and remained objective in the discharge of their duties and responsibilities.

The Independent Directors exercise no management function in the Company or any of its subsidiaries. The role of Independent Directors is primarily to ensure the strategies of the Company proposed by the Management are fully discussed and vigorously examined, taking into consideration the long-term interest of the Group and the shareholders.

The Board considers that its current Board comprises Directors who have the appropriate mix of expertise and experience, and collectively possess the necessary core competencies (in accounting, finance, business management experience and industry knowledge) to function effectively and make informed decisions overseeing the Company's business. The profiles of the Directors are set out on pages 8 and 9 of this Annual Report.

The Non-Executive Directors met 4 times a year without the presence of Management in FY2014.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The Chairman, Mr Wu Dingrong is the Non-Executive Chairman who is primarily responsible for overseeing the working of the Board. Mr Wu Dingrong is not involved in the day-to-day management of the Group.

Mr Lee Wan Sing, the Executive Director, is responsible for the corporate affairs of the Group and as CEO, is responsible for overseeing the overall management, daily operations and performance of the Group.

Mr Sun Lu, the Executive Director, is responsible for the promotion, development and expansion of the business of the Group. Mr Wu Dingrong is the father-in-law of Mr Sun Lu.

In accordance with Guideline 3.3 of the Code and to promote a high standard of corporate governance, the Board had appointed Mr Chua Hung Meng as the Lead Independent Director. Mr Chua Hung Meng is available to shareholders in circumstances where they have concerns which cannot be resolved through the normal channels of the Chairman, the CEO or the Group Financial Controller, or for which such contact is inappropriate.

The independent directors met 5 times a year without the presence of management in FY2014.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC presently comprises the following four members, of whom three are Independent Directors: -

Tan Song Kwang (Chairman – Independent Director)
Chua Hung Meng (Member – Independent Director)
Koh Choon Kong (Member – Independent Director)
Wu Dingrong (Member – Non-Executive Chairman)

The NC is governed by its written terms of reference and the key roles of the NC include, *inter alia:*

- reviewing and making recommendations to the Board on appointment and re-appoinment of the members of the Board including making recommendations on the composition of the Board and the mix of balance between Executive and Non-Executive Directors appointed to the Board;

1. BOARD MATTERS (continued)

Board Membership (continued)

- determining the independence of each Independent Director annually and as and when circumstances demand;
- evaluating the effectiveness of the Board as a whole and assess the contribution of each Director to the effectiveness of the Board; and
- reviewing the training and professional development programs for members of the Board.

The process for the selection and appointment of new Directors is as follows:

- the NC evaluates the balance of skills, knowledge and experience of the Board and, in light of such evaluation and in consultation with Board, prepares a description of the role and the essential and desirable competencies for a particular appointment;
- where necessary, external help may be sought to source for potential candidates. The Board and the Management may also make suggestions;
- the NC meets with short-listed candidates to assess their suitability and to ensure that the candidates are aware of the expectations and the level of commitment required of them; and
- the NC makes recommendations to the Board for approval.

The NC is also responsible for re-appointment of Directors. In its deliberations on the re-appointment of existing Directors, the NC takes into consideration of each Director's contribution and performance. The assessment parameters include attendance record, preparedness, intensity of participation and candour at meetings of the Board and Board Committees (if any) as well as the quality of intervention and special contribution.

All Directors submit themselves for re-nomination and re-appointment at regular intervals of at least once every three years. Article 91 of the Articles provides that one-third of the Directors shall retire from office by rotation and be subject to re-appointment at the annual general meeting ("**AGM**") of the Company. New Directors are appointed by way of a board resolution, after the NC has reviewed and recommended their appointment. Such new Directors shall hold office only until the next AGM and shall be eligible for re-election.

The NC has recommended the nomination of Mr Wu Dingrong, Mr Ong Wee Chuan and Mr Tan Song Kwang for re-election at the forthcoming AGM. The Board has accepted the NC's recommendation. Mr Tan Song Kwang will, upon re-election as a Director, remain as the Chairman of the NC and a member of the AC and RC. The Board considers Mr Tan Song Kwang to be independent for the purpose of Rules 704(7) of the Catalist Rules. Mr Tan Song Kwang has abstained from making any recommendations and/or participating in any deliberations of the NC in respect of the assessments of his own performance or re-nomination as a Director.

The NC had reviewed the time spent and attention given by each Director to the Company's affairs, and is satisfied that all Directors had discharged their duties adequately in FY2014.

The Board does not cap the maximum number of listed company board representations each Director may hold as the NC is of the view that each Director is able to and has been devoting sufficient time to discharge his responsibilities adequately. However, the Board will fix the maximum number of listed company board representations which any Director may hold when the Board deems it to be necessary.

1. BOARD MATTERS (continued)

Board Membership (continued)

Name of Director	Date of First Appointment	Date of Last Re-election	Present Directorships and Chairmanships in Other Listed Companies	Past 3 Years Directorships and Chairmanships in Other Listed Companies	Other Principal Commitments
Wu Dingrong	27 April 2012	30 April 2013	Nil	Nil	Nil
Lee Wan Sing	29 November 2010	30 April 2013	Nil	Nil	Nil
Sun Lu	26 September 2012	28 April 2014	Nil	Nil	Nil
Ong Wee Chuan	26 September 2012	30 April 2013	Nil	Nil	1. Golden Hung Ho Marketing (Director) 2. Golden Hung Ho Holdings Pte Ltd (Director)
Chua Hung Meng	30 September 2004	28 April 2014	1. Lizhong Wheel Group Ltd. (Independent Director)	1. Oceanus Group Limited (Independent Director) (Resigned on 1 August 2013)	1. World Toilet Organization (Director) 2. BOP Hub (Director)
Tan Song Kwang	23 February 2004	30 April 2013	Nil	1. China Paper Holdings Limited (Independent Director) (Resigned on 24 Jan 2014)	Nil
Koh Choon Kong	1 December 2011	28 April 2014	1. China Sunsine Chemical Holdings Ltd. (Non-Executive Director)	Nil	1. EtonHouse International Holdings Pte Ltd (Group Finance Director)

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The review of the performance of the Board and the Board Committees is conducted by the NC annually. The review of the performance of each Director is also conducted at least annually and when the individual Director is due for re-election.

The NC has an appraisal process in place for assessing the performance and effectiveness of the Board as a whole, the Board committees and the contribution of individual Directors. The assessment parameters include, *inter alia,* conduct of meetings, corporate strategy and planning, risk management and internal controls, attendance at meetings, adequacy of preparation for meetings and participation at discussions.

The NC is of the view that each individual Director had contributed to the effectiveness of the Board as a whole and the Board had met its performance objectives in FY2014.

1. BOARD MATTERS (continued)

Board Performance (continued)

The results of the evaluation are used constructively by the NC to identify areas of improvements and recommend to the Board the appropriate action.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or his re-nomination as Director.

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Board is furnished with detailed management accounts on a half-yearly basis. Board papers are prepared for each meeting and are disseminated to the Directors in advance of the meetings for them to be adequately prepared for the meetings. Management will also provide any additional material or information that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. In addition, all other relevant information on material events and transactions are circulated by electronic mail and facsimile to all Directors for review and approval in a timely manner.

All Board members have direct and independent access to the Company Secretary and other management staff of the Group. The Company Secretary or his representatives attend all Board and Board Committees meetings and assist the Chairman in ensuring that proper procedures at such meetings are followed and advise whether the Company's memorandum and the Articles, relevant rules and regulations, including requirements of the Securities and Futures Act (Chapter 289) of Singapore, the Companies Act (Chapter 50) of Singapore ("**Companies Act**") and the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") are complied with. The appointment and removal of the Company Secretary are subject to the approval of the Board.

Subject to the approval of the Board, each Director has the right to consult independent professional advice to assist him in discharging his duties and responsibilities as a Director if deemed necessary. Any expense incurred in this aspect shall be borne by the Company.

2. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises the following four members, of whom three are Independent Directors:

Koh Choon Kong (Chairman – Independent Director)
Chua Hung Meng (Member – Independent Director)
Tan Song Kwang (Member – Independent Director)
Wu Dingrong (Member – Non-Executive Chairman)

The RC carries out its duties in accordance with a set of terms of reference which include the following:

- reviewing and recommending to the Board, a framework of remuneration policies to determine the specific remuneration packages and terms of employment for each Director and key executive and the implementation of any appropriate performance-related elements to be incorporated in the remuneration framework; and

- carrying out its duties in the manner that it deems expedient, subject always to any restrictions that may be imposed upon the RC by the Board from time to time.

2. REMUNERATION MATTERS (continued)

Procedures for Developing Remuneration Policies (continued)

The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of individual Director and key executives. The recommendations of the RC are submitted to the Board for endorsement. All aspects of remuneration, including, but not limited to, Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind are reviewed by the RC.

No Director is involved in the review of his own remuneration package. Each member of the RC abstains from voting on any resolutions in respect of his remuneration package.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

In structuring and approving appropriate remuneration packages, the RC would take into account factors such as pay and employment conditions within the industry, roles and responsibilities of each Director and the need to link rewards to performance.

The Non-Executive Directors (including Independent Directors) do not have any service contracts and accordingly do not receive any salary. They are paid director's fees, which are recommended by the RC and submitted to the Board for endorsement. The directors' fees to be paid for any one year are submitted for shareholders' approval at the AGM.

The Executive Directors do not receive directors' fees. Each Executive Director's remuneration comprises a basic salary component and a variable bonus component based on the performance of the Group. The Company has entered into separate service agreements with our two Executive Directors and their service agreements are renewed on a yearly basis. The service agreements allow termination by either party upon giving written notice of not less than three months.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The breakdown of the remuneration of each individual Director in FY2014 was as follows:

	Fee	Salary	Variable Bonus	Benefits in Kind	Total
	%	%	%	%	%
(Between S$250,000 – S$500,000)					
Lee Wan Sing	-	81	19	-	100
(Below S$250,000)					
Sun Lu	-	100	-	-	100
Chua Hung Meng	100	-	-	-	100
Tan Song Kwang	100	-	-	-	100
Koh Choon Kong	100	-	-	-	100
Wu Dingrong	-	-	-	-	-
Ong Wee Chuan	100	-	-	-	100

2. REMUNERATION MATTERS (continued)

Disclosure on Remuneration (continued)

The breakdown of remuneration paid to each key executive in FY2014 was as follows:

	Salary	Variable Bonus	Benefits in Kind	Total
(Below S$250,000)	**%**	**%**	**%**	**%**
Lee Ong	100	-	-	100
Zhang Minghui	100	-	-	100
Chin Yee Chow	100	-	-	100
Wu Dingcheng	-	-	-	-
Zhang Jianhong	100	-	-	100

Given the highly competitive pressure in the industry and talent market and to prevent poaching of key executives, the Board is of the view that it is in the best interests of the Company not to fully disclose the remuneration of each Director and key executive.

The Company did not have any employee share option scheme or other long-term incentive scheme for Directors and key executives in FY2014.

The remuneration package of each Executive Director is based on terms stipulated in his service contract.

There are no termination, retirement and post-employment benefits that may be granted to Directors, the CEO and key executives.

The aggregate total remuneration paid to the above key executives (who are not Directors or the CEO) in FY2014 was approximately S$286,000.

The remuneration of Miao Lina, who is the adopted daughter of Wu Dingrong; and Huang Wei, who is the son-in-law of Wu Dingrong, fell within the bands of S$50,000 to S$100,000 in FY2014. Save as disclosed, there were no other employees who were immediate family members of a Director or CEO and whose remuneration exceeded S$50,000 in FY2014.

Wu Dingrong and Wu Dingcheng, who is the brother of Wu Dingrong had agreed with the Remuneration Committee not to draw any remuneration in FY2014.

3. ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is accountable to the shareholders while the Management is accountable to the Board.

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position, prospects, operations and financial position and updating shareholders through its half yearly and full year results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations.

3. ACCOUNTABILITY AND AUDIT (continued)

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Risk Management

The Board oversees the Company's risk management policies in areas of significant risk to the Company's operations and put in place the risk management practices to address these risks. The practice of risk management is undertaken by the Executive Directors and senior executives of each business division under the purview of the Board.

(i) Operational risks

Management regularly reviews and improves the Group's business and operational activities (including information technology) to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The internal auditors will complement the role of the risk management by providing an independent perspective on the controls that help to mitigate any operational risks. All significant matters identified by the Management and the internal auditors will be highlighted to the Board and the AC.

(ii) Compliance and legal risks

The Group recognizes the risks associated with changes in laws and regulations and had reviewed its business plans in the light of legal and regulatory changes during the financial year. The Group will continue to monitor legal and regulatory changes to keep abreast with developments that may have an impact on its business and operations.

(iii) Financial risks

The Group's financial risk management is discussed under Note 27 of the Notes to the Financial Statements, on pages 66 to 71 of this Annual Report.

The Board is of the opinion that with the risk management practices in FY2014 were effective and that risks facing by the Group had been adequately addressed.

Internal Control

Based on the internal controls established and maintained by the Group, works performed by the internal and external auditors, assurance from Management and reviews performed by the Management, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls, including financial, operational and compliance and information technology controls, and risk management systems, were adequate and effective in FY2014.

The Board had received assurance from the CEO and Group Financial Controller that in FY2014:

(a) the financial records had been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) the Company maintained effective risk management and internal control systems.

Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises the following three members who are also Independent Directors:–

Chua Hung Meng (Chairman – Lead Independent Director)
Tan Song Kwang (Member – Independent Director)
Koh Choon Kong (Member – Independent Director)

3. ACCOUNTABILITY AND AUDIT (continued)

Audit Committee (continued)

The Board is of the view that the AC members have sufficient accounting, finance and business management expertise and experience to discharge their duties and responsibilities.

The AC has adopted terms of reference endorsed by the Board to perform, *inter alia*, the following functions:

- reviewing the audit plans, scope of examination and findings of the internal and external auditors;
- reviewing the adequacy of the Group's internal control systems and the effectiveness of internal audit function;
- reviewing the Group's half-year and full-year result announcements and its annual financial statement before submission to the Board for approval;
- reviewing any matters which the external auditors wish to discuss, without the presence of the Management;
- evaluating the independence and performance of the external auditors and nominate them for reappointment, where appropriate; and
- reviewing the interested persons transactions to ensure these transactions are carried out on arm's length basis and on normal commercial terms.

The AC has full access to and co-operation from the Management, internal and external auditors. The AC also has explicit power to investigate any matter brought to its attention within its terms of reference, and will be granted reasonable resources to enable it to discharge its functions properly including seeking external professional advice.

The AC met with the internal auditors and external auditors separately, two times a year, without the presence of the Management in FY2014.

The shareholders of the Company had approved the proposed change of auditors from Messrs KPMG LLP ("**KPMG**") to Messrs PricewaterhouseCoopers LLP ("**PwC**") at the extraordinary general meeting held on 6 February 2015. The AC had recommended to the Board that PwC be nominated for re-appointment as external auditors at the forthcoming AGM. The Company confirmed its compliance to Rules 712 and 715 of the Catalist Rules.

The fees paid/payable to KPMG and PwC in FY2014 were set out below:

	Fees Paid/Payable (RMB'000)		
Service Category	**KPMG**	**PwC**	**Total**
Audit Service	518	1,591	2,109
Non-Audit Service	260	-	260
Total	778	1,591	2,369

The AC had reviewed all non-audit services provided by the external auditors in FY2014 and is satisfied that the nature and extent of such services would not prejudge the independence of the external auditors, and has recommended the re-appointment of the external auditors at the forthcoming AGM.

The Company has put into place a whistle-blowing framework, endorsed by the AC, where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters such as possible corruption, suspected fraud and other non-compliance issues. The AC will address the issues and/or concerns raised and ensure that necessary arrangements are in place for the independent investigation of issues and/or concerns raised by the employees and for appropriate follow-up actions. Details of the whistle-blowing policy and arrangements have been made available to the employees.

3. ACCOUNTABILITY AND AUDIT (continued)

Audit Committee (continued)

There were no reports of whistle-blowing received in FY2014.

During FY2014, the members of AC were briefed by the external auditors on changes or amendments to accounting standards to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements.

The AC had reviewed all "interested person transactions" (as defined in Chapter 9 of the Catalist Rules) in FY2014 and is of the opinion that Chapter 9 of the Catalist Rules had been complied with.

In the event that a member of the AC is interested in any matter being considered by our AC, he will abstain from participating in the proceedings in relation to that particular transaction and voting on that particular matter.

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The AC approves the appointment of the internal auditors. During the financial year, the Company has continued to outsource its internal audit function to Messrs Baker Tilly Consultancy (S) Pte. Ltd.. The AC, with the participation of the Board, had reviewed the effectiveness of the Group's system of internal controls in light of key business and financial risks affecting the operations.

The internal auditors report primarily to the Chairman of the AC and administratively to the CEO. The internal auditors plan their internal audit schedules in consultation with, but independently of, the Management. The internal audit plan is submitted to the AC for review and approval at the beginning of the financial year.

The AC is satisfied that the internal auditors is adequately qualified and resourced, and has the appropriate standing in the Company to discharge its duties effectively.

4. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

All shareholders are treated fairly and equitably to facilitate their ownership rights. In line with the continuing disclosure obligations of the Company pursuant to the Catalist Rules and the Companies Act, the Board's policy is that all shareholders should be informed in a comprehensive manner and on a timely basis of all material developments that impact the Group.

Shareholders can vote in person or appoint not more than two (2) proxies to attend and vote on their behalf at general meetings of shareholders. There is no provision in the Articles that limits the number of proxies for nominee companies.

Communication with shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Communication with shareholders is managed by the Board. All announcements are released via SGXNET, including the half-year and full-year financial results announcements, distribution of notices, press releases, analyst briefings, presentations, announcements on acquisitions/disposals and other material developments.

4. SHAREHOLDER RIGHTS AND RESPONSIBILITIES (continued)

Communication with shareholders (continued)

The Company does not practise selective disclosure and price sensitive information is publicly released on an immediate basis where required under the Catalist Rules. In addition, all shareholders will receive the Company's annual reports together with the notices of AGM, which are also accessible through SGXNET. The notice of AGM is also advertised in the newspapers.

The Company does not have a fixed dividend policy. Nonetheless, the Management will review, *inter alia*, the Group's performance in the relevant financial period, its financial position and future capital expenditure and make appropriate recommendations to the Board on dividend declaration.

The Board has not declared or recommended dividend for FY2014 as the Company was not profitable in FY2014.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Shareholders are encouraged to attend AGMs to ensure greater shareholders' participation. During the AGM, shareholders are given opportunity to post their views and raise questions regarding the Group's operation. All Directors are in attendance at the AGM to address any question raised. The chairpersons of, AC, RC and NC will be available at the forthcoming AGM to answer questions relating to the work of these committees.

The external auditors will also be present to assist the Directors in addressing any relevant queries raised by shareholders regarding the conduct of audit and the preparation and content of the independent auditors' report.

Separate resolutions on each distinct issue are proposed at general meetings for approval. If any shareholder is unable to attend, he is allowed to vote at the meeting in absentia through the appointment of not more than two (2) proxies.

All resolutions are put to vote by poll, and their detailed results will be announced via SGXNET after the conclusion of the general meeting.

5. DEALING IN SECURITIES

The Company has adopted an internal guideline to provide guidance to all Directors and officers of the Group with regard to dealings in the Company's securities in compliance with Rule 1204(19) of the Catalist Rules. The Company, its Directors and officers who have access to price sensitive information are not permitted to deal in the Company's securities.

The Company, its Directors and officers are also discouraged from dealing in the Company's securities on short term consideration and are prohibited from dealing in the Company's securities during the period commencing one month before the announcement of the Company's half-year and full-year financial results, and ending on the date of announcement of such results. They are also advised to observe insider trading laws at all times even when dealing in the Company's securities within the permitted trading period.

6. INTERESTED PERSON TRANSACTIONS ("IPT")

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are carried out on an on an arm's length basis that are not prejudicial to the interests of the Company and its minority shareholders. The Group had obtained a general mandate from shareholders for IPTs (including the Off Take Agreement) ("**General Mandate**") on 30 April 2013 which was renewed by the shareholders at the extraordinary general meeting held on 28 April 2014. Details of all IPTs entered into in FY2014 were:

Name of the Interested Person	**Aggregate value of all IPTs conducted during FY2014 (excluding transactions less than S$100,000 and transactions conducted under General Mandate)** **RMB'000**	**Aggregate value of all IPTs conducted during FY2014 under General Mandate (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.	-	1,404
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.	-	161
Sales of steel related products to 江阴市荣达经贸有限公司* (Jiangyin Rongda Jingmao Co., Ltd.). The transaction was conducted under the General Mandate.	-	12,240
Fees paid to 江阴锦澄钢铁有限公司* (Jiangyin Jincheng Steel Co., Ltd.). for outsourcing of production on certain steel products.	1,581	-

Note:

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

Jiangyin Jincheng Steel Co., Ltd. ("Jiangyin Jincheng") had paid on behalf of XHRC the capital expenditures and administrative expenses amounting to RMB8,808,000 incurred by XHRC in FY2014. As there were no fees or interest incurred by XHRC for such payment by Jiangyin Jincheng, the Management and Board are of the view that the aggregate value of these transactions did not constitute any amount at risk to the Group under Chapter 9 of the Catalist Rules.

Save as disclosed in this paragraph, there were no interested person transactions entered into by the Group in FY2014 (other than transactions less than S$100,000).

7. MATERIAL CONTRACTS

Save as disclosed in paragraph 6 above, there are no material contracts entered into by the Group involving the interest of the CEO, any Director or controlling shareholder, which are either subsisting at the end of FY2014 or if not then subsisting, entered into since the end of previous financial year.

8. USE OF PROCEEDS

The Company had entered into a subscription agreement dated 8 January 2015 with 8 lenders for the issuance of 3-year unsecured convertible notes ("**Convertible Notes**") amounting to an aggregate of S$5,445,000 (net of issuance cost of approximately S$55,000). On 24 February 2015, the Company completed the subscription of the Convertible Notes.

The entire net proceeds of S$5,445,000 are to be allocated for its existing steel trading operations and business expansion in Singapore. As at the date of the Company's unaudited full year results announcement on 27 February 2015, the net proceeds had not been materially utilized.

9. CATALIST SPONSOR

The Continuing Sponsor of the Company was changed from CNP Compliance Pte. Ltd. ("**CNPC**") to PrimePartners Corporate Finance Pte. Ltd. ("**PPCF**") with effect from 1 July 2014.

There were no non-sponsor fees paid to CNPC and PPCF in FY2014.

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2014 and balance sheet of the Company as at 31 December 2014.

Directors

The directors of the Company in office at the date of this report are as follows:

Mr. Wu Dingrong	Non-Executive Chairman
Mr. Lee Wan Sing	Executive Director
Mr. Sun Lu	Executive Director
Mr. Ong Wee Chuan	Non-Executive Director
Mr. Chua Hung Meng	Independent Director
Mr. Tan Song Kwang	Independent Director
Mr. Koh Choon Kong	Independent Director

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" in this report.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2014	At 1.1.2014	**At 31.12.2014**	At 1.1.2014
Oriental Group Ltd. (No. of ordinary shares)				
Mr. Wu Dingrong	**-**	-	**77,986,667**	77,986,667
Mr. Lee Wan Sing	**-**	-	**4,002,520**	4,002,520
Mr. Sun Lu	**-**	-	**77,986,667**	77,986,667
Mr. Ong Wee Chuan	**-**	-	**5,000,000**	5,000,000

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2015.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report, and except that certain directors have employment relationships with the Company, and have received remuneration in that capacity.

Share options

No options were granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:

- Mr. Chua Hung Meng, Independent director (Chairman)
- Mr. Tan Song Kwang, Independent director
- Mr. Koh Choon Kong, Independent director

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing these functions, the Committee:

(i) reviewed with the external auditors, their audit plan and audit report;

(ii) reviewed any matters which the external auditors wish to discuss, without the presence of management;

(iii) reviewed with the internal auditors, their audit plan, evaluation of the internal accounting controls, audit report and any matters which the internal auditors wish to discuss;

(iv) reviewed the balance sheet of the Company and the consolidated financial statements of the Group in the half yearly announcements and annual report; and

(v) reviewed the Interested Person Transactions as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") as is required by SGX-ST and ensured that the transactions were on normal commercial terms and not prejudicial to the interests of the shareholders of the Company.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent Auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Mr. Wu Dingrong
Director

Mr. Lee Wan Sing
Director

10 April 2015

STATEMENT BY DIRECTORS

For the financial year ended 31 December 2014

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 32 to 75 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

Mr. Wu Dingrong
Director

Mr. Lee Wan Sing
Director

10 April 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORIENTAL GROUP LTD

For the financial year ended 31 December 2014

Report on the Financial Statements

We have audited the accompanying financial statements of Oriental Group Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 32 to 75, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2014, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group for the year ended on that date.

Other Matter
The financial statements for the preceding financial year were reported on by an audit firm other than PricewaterhouseCoopers LLP. The auditor's report dated 10 April 2014 issued by the predecessor audit firm on the financial statements for the financial year ended 31 December 2013 was unqualified.

Report on other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 10 April 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

	Note	**2014 RMB'000**	2013 RMB'000
Revenue	4	**376,744**	439,146
Cost of sales	8	**(351,277)**	(403,579)
Gross profit		**25,467**	35,567
Other income	5	**2,043**	651
Other gains and losses	6	**1,164**	(522)
Expenses			
- Distribution	8	**(3,226)**	(4,440)
- Administrative	8	**(22,955)**	(18,454)
- Finance	7	**(6,782)**	(2,164)
(Loss)/Profit before income tax		**(4,289)**	10,638
Income tax expense	9	**(1,972)**	(6,379)
Total (loss)/profit		**(6,261)**	4,259
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		**50**	(864)
Other comprehensive income/(loss), net of tax		**50**	(864)
Total comprehensive (loss)/income, net of tax		**(6,211)**	3,395
(Loss)/Profit attributable to:			
Equity holders of the Company	10	**(6,162)**	4,756
Non-controlling interests		**(99)**	(497)
		(6,261)	4,259
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(6,141)**	3,892
Non-controlling interests		**(70)**	(497)
		(6,211)	3,395
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company (RMB per share)			
Basic (loss)/earnings per share	10	(1.59)	1.41
Diluted (loss)/earnings per share	10	(1.59)	1.41

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET - GROUP

As at 31 December 2014

	Note	**2014 RMB'000**	2013 RMB'000
ASSETS			
Current assets			
Cash and cash equivalents	11	**5,444**	16,620
Trade and other receivables	12	**35,729**	129,902
Inventories	13	**24,452**	36,088
		65,625	182,610
Non-current assets			
Prepaid lease	14	**23,682**	24,285
Property, plant and equipment	15	**159,232**	108,168
Intangible assets	16	**9**	44
Deferred income tax assets	17	**750**	–
Other non-current assets	18	**57,017**	–
		240,690	132,497
Total assets		**306,315**	315,107
LIABILITIES			
Current liabilities			
Trade and other payables	19	**59,274**	105,810
Current income tax liabilities	9	**796**	3,464
Borrowings	20	**86,964**	23,992
		147,034	133,266
Non-current liabilities			
Borrowings	20	**–**	13,612
Total liabilities		**147,034**	146,878
NET ASSETS		**159,281**	168,229
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	22	**179,491**	179,491
Other reserves	23	**4,699**	4,066
Accumulated losses		**(24,343)**	(14,832)
Total equity attributable to owner's equity		**159,847**	168,725
Non-controlling interests		**(566)**	(496)
Total equity		**159,281**	168,229

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET - COMPANY

As at 31 December 2014

	Note	**2014 RMB'000**	2013 RMB'000
ASSETS			
Current assets			
Cash and cash equivalents	11	**1,500**	3,815
Trade and other receivables	12	**163,429**	173,811
Inventories	13	**219**	–
		165,148	177,626
Non-current assets			
Property, plant and equipment	15	**2,651**	2,048
Investments in subsidiaries	21	**1**	1
		2,652	2,049
Total assets		**167,800**	179,675
LIABILITIES			
Current liabilities			
Trade and other payables	19	**17,900**	10,541
Borrowings	20	**17,271**	2,992
		35,171	13,533
Non-current liabilities			
Borrowings	20	**–**	13,612
Total liabilities		**35,171**	27,145
NET ASSETS		**132,629**	152,530
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	22	**179,491**	179,491
Other reserves	23	**(8,134)**	(3,956)
Accumulated losses	24	**(38,728)**	(23,005)
Total equity		**132,629**	152,530

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

	Note	Share capital	Capital reserve	Statutory reserve	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2014									
Beginning of financial year		179,491	2,174	2,756	(864)	(14,832)	168,725	(496)	168,229
Profit/(loss) for the year		–	–	612	–	(6,774)	(6,162)	(99)	(6,261)
Other comprehensive income for the year		–	–	–	21	–	21	29	50
Total comprehensive income for the year		–	–	612	21	(6,774)	(6,141)	(70)	(6,211)
Dividend relating to 2013 declared	25	–	–	–	–	(2,737)	(2,737)	–	(2,737)
Total transactions with owners recognised directly in equity		–	–	–	–	(2,737)	(2,737)	–	(2,737)
End of financial year		179,491	2,174	3,368	(843)	(24,343)	159,847	(566)	159,281

	Note	Share capital	Capital reserve	Statutory reserve	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2013									
Beginning of financial year		72,333	2,174	915	–	(17,747)	57,675	(64)	57,611
Profit/(loss) for the year		–	–	1,841	–	2,915	4,756	(497)	4,259
Other comprehensive income for the year		–	–	–	(864)	–	(864)	–	(864)
Total comprehensive income for the year		–	–	1,841	(864)	2,915	3,892	(497)	3,395
Disposal of subsidiary		–	–	–	–	–	–	64	64
Incorporation of subsidiaries with non-controlling interests		–	–	–	–	–	–	1	1
Issue of shares		107,446	–	–	–	–	107,446	–	107,446
Shares issue cost		(288)	–	–	–	–	(288)	–	(288)
Total transactions with owners recognised directly in equity		107,158	–	–	–	–	107,158	65	107,223
End of financial year		179,491	2,174	2,756	(864)	(14,832)	168,725	(496)	168,229

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2014

	Note	**2014**	2013
		RMB'000	RMB'000
Cash flows from operating activities			
Total (loss)/profit		**(6,261)**	4,259
Adjustments for:			
- Income tax expense		**1,972**	6,379
- Depreciation of property plant and equipment		**9,642**	4,557
- Amortisation of prepaid lease		**603**	253
- Amortisation of intangible assets		**35**	27
- Property, plant and equipment written off		**–**	9
- Gain on disposal of property, plant and equipment		**(5)**	–
- Gain on disposal of a subsidiary	11	**(1,134)**	(108)
- Write down on inventories		**1,693**	–
- Interest income		**(316)**	(29)
- Interest expense		**6,782**	2,164
- Unrealised foreign exchange gain		**(25)**	–
		12,986	17,511
Change in working capital, net of effects from			
- Inventories		**9,943**	(11,722)
- Trade and other receivables		**93,630**	205,803
- Trade and other payables		**(47,706)**	(217,498)
Cash generated from/(used in) operations		**68,853**	(5,906)
Income tax paid		**(5,390)**	(4,785)
Net cash provided by/(used in) operating activities		**63,463**	(10,691)
Cash flows from investing activities			
Interest received		**316**	29
Acquisition of subsidiary, net of cash	11	**–**	(48,550)
Proceeds from disposal of property, plant and equipment		**48**	–
Purchase of prepaid lease		**(1,000)**	(408)
Purchase of property, plant and equipment		**(116,279)**	(49,680)
Purchase of intangible assets		**–**	(42)
Disposal of subsidiaries, net of cash	11	**1,500**	(1,085)
Net cash used in investing activities		**(115,415)**	(99,736)
Cash flows from financing activities			
Amount owing to director		**235**	–
Capital contribution from non-controlling interest		**–**	1
Proceeds from issue of share capital		**–**	107,158
Proceeds from bank borrowings		**125,000**	17,992
Proceeds from other borrowings		**8,212**	–
Decrease/(Increase) in bank deposits pledged		**7,038**	(9,038)
Dividend paid to equity holders of the company		**(2,579)**	–
Interest paid		**(6,355)**	(1,693)
Repayment of bank borrowings		**(83,992)**	–
Net cash provided by financing activities		**47,559**	114,420
Net (decrease)/increase in cash and cash equivalents		**(4,393)**	3,993
Cash and cash equivalents			
Beginning of financial year	11	**7,582**	5,211
Effects of currency translation on cash and cash equivalents		**255**	(1,622)
End of financial year	11	**3,444**	7,582

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Oriental Group Ltd. (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 10, Upper Aljunied Link, #04-09, Singapore 367904.

The principal activities of the Company are those relating to providing value-added services relating to, as well as the procurement and supply of metal products such as mild steel round bars, high tensile deformed bars, angle bars and flat bars used in the industrial and construction industries in the People's Republic of China (PRC) and the South-East Asia region.

The principal activities of its subsidiaries are set out in Note 21 to the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

Going concern

At 31 December 2014, the Group's current liabilities exceeded its current assets by RMB 81,409,000, and it incurred net loss before income tax of RMB 4,289,000 for the financial year ended 31 December 2014.

Notwithstanding with the above, the financial statements have been prepared on a going concern basis upon considering the following:

- The directors of the Group have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationships with banks which enhance the Group's ability to continue with the current bank borrowings and credit facilities to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future;
- The directors of the Group are confident that the future operating cash flows are positive and sustainable in the next financial year;
- The majority shareholder and non-executive Chairman has provided personal undertakings to provide continuing financial support to the Group and Company.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2014

On 1 January 2014, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

FRS 112 Disclosures of Interests in Other Entities

The Group has adopted the above new FRS on 1 January 2014. The amendment is applicable for annual periods beginning on or after 1 January 2014. It sets out the required disclosures for entities reporting under the new FRS 110 *Consolidated Financial Statements* and FRS 111 *Joint Arrangements*, and replaces the disclosure requirements currently found in FRS 27 (revised 2011) *Separate Financial Statements* and FRS 28 (revised 2011) *Investments in Associates and Joint Ventures.*

The Group has applied FRS 112 retrospectively in accordance with the transitional provisions (as amended subsequent to the issuance of FRS 112 in September 2011) in FRS 112 and amended for consolidation exceptions for 'investment entity' from 1 January 2014.

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group assess its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) Sale of goods – Industrial steel and metal products

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(b) Sale of scrap metal

Revenue from sale of scrap metal is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(c) Commission income

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group. Commission income is recognised when services have been rendered and the Group does not have any further specific performance obligations.

(d) Dividend income

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

2. Significant accounting policies (continued)

2.3 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill on acquisitions" for the subsequent accounting policy on goodwill.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

2.4 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Component of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold buildings	20 to 50 years
Plant and machinery	5 to 10 years
Furniture, fittings and equipment	10 years
Computers	5 years
Motor vehicles	5 years
Leasehold improvements	5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted if appropriate.

Capital work-in-progress is not depreciated until the related property, plant and equipment is available for use.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other gains and losses". Any amount in revaluation reserve relating to that item is transferred to retained profits directly.

2.5 Prepaid lease

Leases of land use rights are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis so as to write off the costs over their useful lives ranging from 40 to 50 years.

2.6 Intangible assets

(a) Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries and businesses on or after 1 January 2010 represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired.

Goodwill on acquisition of subsidiaries and businesses prior to 1 January 2010 and on acquisition of joint ventures and associated companies represents the excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on associated companies and joint ventures is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal.

(b) Acquired computer software licences

Acquired computer software licences are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of three to five years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.7 Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2. Significant accounting policies (continued)

2.8 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) Intangible assets
Property, plant and equipment
Investments in subsidiaries
Prepaid lease
Other non-current assets

Intangible assets, property, plant and equipment, investments in subsidiaries, prepaid lease and other non-current assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease. Please refer to the paragraph "Property, plant and equipment" for the treatment of a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

2.9 Financial assets

(a) Classification

The Group classifies its financial asset in the following category: loans and receivables. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(a) Classification (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 12) on the balance sheet.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(d) Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2.10 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

2. Significant accounting policies (continued)

2.11 Borrowings (continued)

(a) Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(b) Convertible loan notes

The total proceeds from convertible loan notes issued are allocated to the liability component and the equity component, which are separately presented on the balance sheet.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible loan notes. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the loan notes.

The difference between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in equity net of any deferred tax effect. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, its carrying amount is transferred to the share capital. When the conversion option lapses, its carrying amount is transferred to retained profits.

2.12 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.13 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.14 Leases

When the Group is the lessee:

The Group leases factories, certain plant and machinery and office under operating leases from non-related parties.

Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease. Contingent rents are recognised as an expense in profit or loss when incurred.

2. Significant accounting policies (continued)

2.15 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average formula. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2.16 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2.18 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

2. Significant accounting policies (continued)

2.18 Employee compensation (continued)

(b) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

2.19 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The Company's functional currency is Singapore Dollars (SGD). The presentation currency for the Group financial statements is Renminbi (RMB).

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognized in profit or loss.

However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve. When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "Finance income and expenses". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "Other gains and losses".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the senior management whose members are responsible for allocating resources and assessing performance of the operating segments.

2. Significant accounting policies (continued)

2.21 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.22 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.23 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

(a) Deferred income tax assets

The Group recognises deferred income tax assets on certain temporary differences and carried forward tax losses to the extent that there are sufficient estimated future taxable profits and/or taxable temporary differences against which the temporary differences and tax losses can be utilised and that the Group is able to satisfy the continuing ownership test. If the tax authority regards the group entities as not satisfying the continuing ownership test, the deferred tax income asset will have to be written off as income tax expense.

(b) Impairment of property, plant and equipment

The majority of the Group's non-current assets is made up of property, plant and equipment. The Group identifies whether events or changes have occurred within the Group, its industry, or the economy indicating the carrying value of the property, plant and equipment may be impaired. Where indicators of impairment are identified, in determining the recoverable amounts of the property, plant and equipment, the Group uses the higher of fair value less costs to sell and value-in-use. Value-in-use is dependent on the cash flow projections derived from the asset, including the terminal value at the end of the projection period as well as the appropriateness of the discount factor. Impairment losses would be recorded if the higher of the fair value less costs to sell and value-in-use is lower than the carrying value of the property, plant and equipment.

(c) Estimated allowance of inventory write-down

The Group assesses whether any allowance is required to reflect the carrying value of inventory. Net realisable values have been determined based on the estimated selling price in the ordinary course of business, less applicable variable selling expenses. For inventory with no recent sales, estimated selling price is approximated by the recent selling price of similar products that management would expect to realise from the sale of inventory in the ordinary course of business.

3.2 Critical judgements in applying the entity's accounting policies

Impairment of loans and receivables

The Group makes allowance for impairment of receivables based on an assessment of the recoverability of trade receivables. Allowances for impairment of receivables are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful receivables involves management judgement, as management identifies receivables with objective evidence of impairment based on credit aging profile and historical customer repayment trend.

4. Revenue

	Group	
	2014	2013
	RMB'000	RMB'000
Sale of goods	**370,378**	427,631
Sale of scrap metal	**5,333**	5,874
Commission and service income	**1,033**	5,641
	376,744	439,146

5. Other income

	Group	
	2014	2013
	RMB'000	RMB'000
Government grants	**707**	–
Sales of production by-product	**590**	412
Interest income from bank deposits	**316**	29
Others	**430**	210
	2,043	651

6. Other gains and losses

	Group	
	2014	2013
	RMB'000	RMB'000
Gain on disposal of property, plant and equipment	**5**	**–**
Gain on disposal of subsidiary (Note 11)	**1,134**	108
Foreign exchange gain/(loss)	**25**	(630)
	1,164	(522)

7. Finance expenses

	Group	
	2014	2013
	RMB'000	RMB'000
Interest expense relating to:		
- Bank and other borrowings	**(5,135)**	(505)
- Convertible loan notes	**(1,647)**	(1,659)
	(6,782)	(2,164)

8. Expenses by nature

	Group	
	2014	2013
	RMB'000	RMB'000
Purchases of inventories	**331,380**	405,017
Changes in inventories	**9,943**	(11,722)
Write down on inventories	**1,693**	–
Audit fees paid to:		
- auditor of the Company	**2,109***	1,509
- other auditors	**262**	349
Professional fees	**984**	1,313
Amortisation of prepaid lease	**603**	253
Amortisation of intangible assets	**35**	27
Property, plant and equipment written off	**–**	9
Depreciation of property, plant and equipment	**9,642**	4,557
Operating lease expense	**1,861**	4,210
Employee compensation	**14,907**	15,596
Contributions to defined contribution plans included in employee compensation	**742**	825
Directors' fees	**765**	872
Others	**2,532**	3,658
Total cost of sales, distribution and administrative expenses	**377,458**	426,473

*Audit fees paid to the auditor of the Company include the provision for current year audit fees amounting to RMB 1,591,000 and under provision of prior year audit fees amounting to RMB 518,000.

9. Income taxes

(a) Income tax expense

	Group	
	2014	2013
	RMB'000	RMB'000
Tax expense attributable to profit is made up of:		
Current income tax		
- Singapore	**–**	736
- Foreign	**2,722**	5,706
	2,722	6,442
Deferred income tax (Note 17)	**(750)**	–
	1,972	6,442
Over provision in prior financial years:		
Current income tax	**–**	(63)
	1,972	6,379

There is no profit before tax from the continuing operations in Singapore and Malaysia.

9. Income taxes (continued)

(a) Income tax expense (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
(Loss)/Profit before tax	**(4,289)**	10,638
Tax calculated at tax rate of 17% (2013: 17%)	**(729)**	1,808
Effect of different tax rates and legislation	**510**	1,765
Income not subject to tax	**(230)**	–
Non-deductible expenses	**751**	237
Deferred tax asset not recognised	**1,769**	1,826
Withholding tax expenses	**–**	736
Over provision in prior years	**–**	(63)
Others	**(99)**	70
Tax charge	**1,972**	6,379

(b) Movement in current income tax liabilities

	Group	
	2014	2013
	RMB'000	RMB'000
Beginning of financial year	**3,464**	1,440
Income tax paid	**(5,390)**	(4,785)
Tax expense	**2,722**	6,442
Over provision in prior financial years	**–**	(63)
Acquisition of subsidiary	**–**	430
End of financial year	**796**	3,464

There is no current income tax liabilities recognised for the Company in 2014 and 2013.

10. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2014	2013
	RMB'000	RMB'000
Net (loss)/profit attributable to equity holders of the Company (RMB'000)	**(6,162)**	4,756
Weighted average number of ordinary shares outstanding for basic (loss)/earnings per share	**387,730,870**	336,189,774
Basic (loss)/earnings per share (RMB cents per share)	**(1.59)**	1.41

10. (Loss)/earnings per share (continued)

(b) Diluted (loss)/earnings per share

At 31 December 2014 and 31 December 2013, the number of ordinary shares of 21,428,571 (2013: 23,076,923) have not been adjusted for the conversion effects of the convertible loan notes as they are anti-dilutive, which would result in a decrease in the loss per share.

Fully diluted (loss)/ earnings per share is the same as the basic (loss)/earnings per share.

11. Cash and cash equivalents

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand	**5,444**	16,620	**1,500**	3,815
Less: Bank deposits pledged	**(2,000)**	(9,038)	**–**	(3,038)
	3,444	7,582	**1,500**	777

Bank deposits are pledged in relation to the security granted for certain borrowings (Note 20).

Acquisition and disposal of subsidiaries

On 3 July 2014, the Company disposed of its entire interest held in OGL Energy Pte. Ltd. for a cash consideration of RMB 3,000,000.

On 31 December 2013, the Company entered into an agreement with the non-controlling shareholder of Oriental Zhetai (S) Pte. Ltd., to sell its 51% interest in the subsidiary for a total cash consideration of RMB 254.

The effects of the disposals on the cash flows of the Group were:

	2014	2013
	RMB'000	RMB'000
Carrying amounts of assets and liabilities disposed of		
Other receivables and prepayments	**–***	21
Cash and cash equivalents	**–**	1,085
Total assets	**–***	1,106
Trade and other payables	**–**	(84)
Amount due to holding company	**–**	(1,233)
Total liabilities	**–**	(1,317)
Net assets/(liabilities) derecognised	**–***	(211)
Less: Non-controlling interest	**–**	103
Less: Accrued expense relating to disposal of subsidiary	**(1,800)**	–
Add: Gain on disposal of subsidiary	**(1,134)**	(108)
Add: Outstanding balance of cash proceeds to be received	**1,434**	–
Net cash inflow/(outflow) on disposal of subsidiary	**1,500**	(1,085)

**Less than RMB 1,000*

11. Cash and cash equivalents (continued)

Acquisition and disposal of subsidiaries (continued)

On 6 April 2013, the Group through its wholly-owned subsidiary, Oriental Investments Group Pte. Ltd. acquired 100% equity interest in Xinghua Rongcheng from a related party. Xinghua Rongcheng is a manufacturer of carbon steel products. The Group acquired the subsidiary for a total cash consideration of RMB 55,000,000.

The acquired bisuness contributed revence of RMB 2.3 million and net loss of RMB 6.9 million to the Group for the period of 6 April 2013 to 31 December 2013.

The effects of the acquisition on the cash flows of the Group were:

	At fair value RMB'000
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	60,112
Prepaid lease	14,067
Trade and other receivables	253,813
Cash and cash equivalents	6,450
Trade payables and other payables	(273,442)
Borrowings	(6,000)
Total identifiable net assets	**55,000**
Total consideration paid in cash	(55,000)
Less: Cash and cash equivalents acquired	6,450
Net cash outflow on acquisition of subsidiary	**(48,550)**

12. Trade and other receivables – current

	Group		Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Trade receivables from non-related parties	**16,580**	103,070	**2,623**	5,782
Bills receivables from non-related parties	**1,168**	8,293	**–**	–
Value added tax recoverable	**896**	3,377	**568**	–
Other receivables	**13,835**	12,239	**178**	6,272
Other deposits	**274**	406	**250**	380
Amounts due from subsidiaries (non-trade)	**–**	–	**159,233**	161,317
Prepayments	**2,976**	2,517	**577**	60
	35,729	129,902	**163,429**	173,811

The non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

In 2014, the Company made prepayments to a related party for non-trade purchases amounting to RMB 422,000 (2013: Nil).

13. Inventories

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Raw materials	**7,862**	12,615	**–**	–
Work-in-progress	**717**	1,107	**–**	–
Finished/trading goods	**15,873**	22,366	**219**	–
	24,452	36,088	**219**	–

The cost of inventories recognised as an expense and included in "cost of sales" amounted to RMB 343,016,000 (2013: RMB 393,295,000).

In 2014, inventories of RMB 1,693,000 (2013: Nil) were written down to net realizable value. The write-downs have been included in "Cost of sales".

14. Prepaid lease – Land use rights

	Group	
	2014	2013
	RMB'000	RMB'000
Cost		
Beginning of financial year	**24,538**	–
Additions	**–**	10,471
Acquisition of subsidiary	**–**	14,067
End of financial year	**24,538**	24,538
Accumulated amortisation		
Beginning of financial year	**253**	–
Amortisation for the year	**603**	253
End of financial year	**856**	253
Net book value	**23,682**	24,285

15. Property, plant and equipment

	Leasehold buildings RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Computers RMB'000	Motor vehicles RMB'000	Leasehold improve-ments RMB'000	Capital work-in-progress RMB'000	Total RMB'000
Group								
2014								
Cost								
Beginning of financial year	33,746	69,990	1,568	77	117	2,822	5,069	113,389
Currency translation differences	–	–	(3)	(3)	–	(56)	–	(62)
Additions	55	776	114	57	–	967	58,840*	60,809
Disposals	–	–	(2)	(42)	–	–	–	(44)
Reclassification	507	–	–	–	–	–	(507)	–
End of financial year	34,308	70,766	1,677	89	117	3,733	63,402	174,092
Accumulated depreciation								
Beginning of financial year	977	3,691	249	13	2	289	–	5,221
Currency translation differences	–	–	–	–	–	(2)	–	(2)
Depreciation charge	1,564	7,018	389	28	28	615	–	9,642
Disposals	–	–	–	(1)	–	–	–	(1)
End of financial year	2,541	10,709	638	40	30	902	–	14,860
Net book value								
End of financial year	**31,767**	**60,057**	**1,039**	**49**	**87**	**2,831**	**63,402**	**159,232**

* Additions of capital work-in-progress of the Group include an amount of RMB 47,500,000 (2013: Nil), for the progressive payment of construction in-progress to non-related party.

At 31 December 2014, the net book value of the plant and machinery secured for bank borrowings is RMB 26.2 million (2013: RMB 12.9 million).

15. Property, plant and equipment (continued)

	Leasehold buildings RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Computers RMB'000	Motor vehicles RMB'000	Leasehold improve-ments RMB'000	Capital work-in-progress RMB'000	Total RMB'000
Group								
2013								
Cost								
Beginning of financial year	–	2,593	132	–	–	486	397	3,608
Additions	–	25,058	663	77	117	2,336	21,429	49,680
Acquisition of subsidiary	15,007	–	625	–	–	–	44,480	60,112
Written off	–	(11)	–	–	–	–	–	(11)
Reclassification	18,739	42,350	148	–	–	–	(61,237)	–
End of financial year	33,746	69,990	1,568	77	117	2,822	5,069	113,389
Accumulated depreciation								
Beginning of financial year	–	549	29	–	–	89	–	667
Currency translation differences	–	–	–	–	–	(1)	–	(1)
Depreciation charge	977	3,144	220	13	2	201	–	4,557
Written off	–	(2)	–	–	–	–	–	(2)
End of financial year	977	3,691	249	13	2	289	–	5,221
Net book value								
End of financial year	**32,769**	**66,299**	**1,319**	**64**	**115**	**2,533**	**5,069**	**108,168**

15. Property, plant and equipment (continued)

	Furniture, fittings and equipment RMB'000	Computers RMB'000	Leasehold improvements RMB'000	Capital work-in-progress RMB'000	Total RMB'000
Company					
2014					
Cost					
Beginning of financial year	103	77	1,951	–	2,131
Currency translation differences	(2)	(1)	(56)	–	(59)
Additions	12	57	247	865	1,181
Disposals	(2)	(42)	–	–	(44)
End of financial year	111	91	2,142	865	3,209
Accumulated depreciation					
Beginning of financial year	5	13	65	–	83
Currency translation differences	–	–	(2)	–	(2)
Depreciation charge	21	28	429	–	478
Disposals	–	(1)	–	–	(1)
End of financial year	26	40	492	–	558
Net book value					
End of financial year	**85**	**51**	**1,650**	**865**	**2,651**
2013					
Cost					
Beginning of financial year	–	–	–	–	–
Additions	103	77	1,951	–	2,131
End of financial year	103	77	1,951	–	2,131
Accumulated depreciation					
Beginning of financial year	–	–	–	–	–
Depreciation charge	5	13	66	–	84
Currency translation differences	–	–	(1)	–	(1)
End of financial year	5	13	65	–	83
Net book value					
End of financial year	**98**	**64**	**1,886**	**–**	**2,048**

16. Intangible assets

Computer software licences

	Group	
	2014	2013
	RMB'000	RMB'000
Cost		
Beginning of financial year	**88**	46
Additions	**–**	42
End of financial year	**88**	88
Accumulated amortisation		
Beginning of financial year	**44**	17
Amortisation for the year	**35**	27
End of financial year	**79**	44
Net book value	**9**	44

17. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Deferred income tax assets		
- To be recovered within one year	**677**	–
- To be recovered after one year	**73**	–
	750	–

Movement in deferred income tax account is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Beginning of financial year	**–**	–
Tax credit to profit or loss	**750**	–
End of financial year	**750**	–

Deferred income tax assets are recognised for temporary differences from accelerated tax depreciation, provisions and accruals carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable.

The Group has unrecognised tax losses of RMB 20.1 million (2013: RMB 10.0 million) and unutilised capital allowances of RMB 0.49 million (2013: Nil) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by the companies in the respective countries of incorporation.

17. Deferred income taxes (continued)

The movement in deferred income tax is as follows:

	Accelerated tax depreciation	Provisions	Accruals	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
2014				
Beginning of financial year	–	–	–	–
Credited to profit or loss	**73**	**423**	**254**	**750**
End of financial year	**73**	**423**	**254**	**750**

The Company did not recognise deferred income tax assets in 2014 and 2013, and there are no deferred income tax assets recognised for the Group in 2013 in respect of these items because it is not probable that the future taxable profits would be available which the Company and Group can utilise these tax benefits.

18. Other non-current asset

	Group	
	2014	2013
	RMB'000	RMB'000
Land use rights *(i)*	**1,547**	–
Prepayment for machinery *(ii)*	**55,470**	–
	57,017	–

(i) Land use rights

The Group applied to obtain the land use rights in Xinghua City, Jiangsu Province, PRC, from the local government with a carrying amount of RMB 1,547,000. At 31 December 2014, the Group has not received the title certificates of land use rights from the local government.

(ii) Prepayment for machinery

In 2014, the Group made a prepayment of RMB 55,470,000 to non-related party for the purchase of machinery.

19. Trade and other payables

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current				
Trade payables to non-related parties	**9,315**	43,299	**3,943**	7,739
Bill payables to non-related parties	**2,000**	12,000	**–**	–
Accrued operating expenses				
- Directors' fees	**598**	446	**598**	446
- Others *	**4,088**	4,283	**2,569**	1,718
Dividend payable	**158**	–	**158**	–
Other payables	**35,263**	37,664	**3,385**	566
Non-trade amounts due to subsidiaries	**–**	–	**7,012**	72
Non-trade amounts due to directors of the Company	**5,235**	5,000	**235**	–
Non-trade amounts due to directors of subsidiaries	**633**	647	**–**	–
Advances received	**1,984**	2,471	**–**	–
	59,274	105,810	**17,900**	10,541

Non-trade amounts due to subsidiaries, directors of the Company, and directors of subsidiaries are unsecured, interest-free and repayable on demand.

Other payables include accrued trade payable amounts due to a related party for the purchase of raw materials and steel products.

* Accrued operating expenses include convertible loan notes interest payable of RMB 475,000 (2013: RMB 489,000).

20. Borrowings

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current				
Convertible loan notes	**13,752**	–	**13,752**	–
Bank borrowings	**65,000**	23,992	**–**	2,992
Other borrowings	**8,212**	–	**3,519**	–
	86,964	23,992	**17,271**	2,992
Non-current				
Convertible loan notes	**–**	13,612	**–**	13,612
Total borrowings	**86,964**	37,604	**17,271**	16,604

(i) Convertible loan notes

On 30 July 2012, the Company issued 8% unsecured convertible loan notes denominated in Singapore Dollars with a nominal value of $3,000,000 (RMB 15,314,000). The notes are due for repayment on 29 July 2015 or conversion into shares of the Company at the holder's option.

20. Borrowings (continued)

(i) Convertible loan notes (continued)

The holders of the notes have the right 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 month 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 after the expiration of the 36th month following the subscription date, the conversion price of S$0.14 per share; and

(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 month from the issue of the note, the conversion price of S$0.15 per share.

There was no conversion during the year.

The fair value of the liability component, included in current borrowings, is calculated by valuing the equity conversion component using the Binomial Option Pricing Model, with the residual amount of the nominal value attributed as the value of the liability component. The equity conversion component is included in shareholder's equity in other reserves (Note 23(b)(ii)).

The carrying amount of the liability component of the unsecured convertible loan notes at the balance sheet date is derived as follows:

	Group and Company	
	2014	2013
	RMB'000	RMB'000
Unsecured convertible loan notes:		
Face value of convertible loan notes issued on 30 July 2012	**15,314**	15,314
Equity conversion component on initial recognition	**(1,609)**	(1,609)
Liability component on initial recognition	**13,705**	13,705
Accumulated amortisation of interest expense	**4,017**	2,370
Accumulated payments of interest	**(2,826)**	(1,696)
Translation difference	**(1,144)**	(767)
Liability component at end of financial year	**13,752**	13,612

20. Borrowings (continued)

(ii) Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

				2014		2013	
	Currency	Nominal interest rate %	Year of maturity	Face value RMB'000	Carrying amount RMB'000	Face value RMB'000	Carrying amount RMB'000
Group							
Unsecured convertible loan notes	SGD	8%	2015	**14,078**	**13,752**	12,957	13,612
Secured bank loan	RMB	6%	2015	**20,000**	**20,000**	–	–
Secured bank loan	RMB	7.2%	2014	**–**	**–**	6,000	6,000
Secured bank loan	RMB	9%	2015	**15,000**	**15,000**	15,000	15,000
Secured bank loan	RMB	8.4%	2015	**10,000**	**10,000**	–	–
Secured bank loan	RMB	8.4%	2015	**20,000**	**20,000**	–	–
Secured bank loan	USD	1.8%	2014	**–**	**–**	2,992	2,992
Unsecured other borrowings	SGD	10%	2015	**4,693**	**4,693**	–	–
Unsecured other borrowings	SGD	8%	2015	**3,519**	**3,519**	–	–
				87,290	**86,964**	36,949	37,604
Company							
Unsecured convertible loan notes	SGD	8%	2015	**14,078**	**13,752**	12,957	13,612
Secured bank loan	USD	1.8%	2014	**–**	**–**	2,992	2,992
Unsecured other borrowings	SGD	8%	2015	**3,519**	**3,519**	–	–
				17,597	**17,271**	15,949	16,604

(iii) Bank borrowings in 2014

1. Bank loan I amounting to RMB 20,000,000 was secured by legal charge over the land of Jiangyin Chengsheng Machinery Manufacturing Co., Ltd and corporate guarantee from Xinghua Rongcheng Precision Manufacturing Co., Ltd, where both are wholly-owned subsidiaries of the Group in PRC. Fixed interest rate for bank loan I during the financial year was 6.0% per annum.

2. Bank loan II amounting to RMB 15,000,000 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 (an associated company of Wu Dingrong). Fixed interest rate for bank loan II during the financial year was 9.0% per annum.

3. Bank loan III amounting to RMB 10,000,000 was secured by legal charge over the plant and machinery of Xinghua Rongcheng Precision Manufacturing Co., Ltd. Fixed interest rate for bank loan III during the financial year was 8.4% per annum.

4. Bank loan IV amounting to RMB 20,000,000 was secured by corporate guarantee from Jiangyin Chengsheng Machinery Manufacturing Co., Ltd and Jiangyin Jincheng Steel Co., Ltd (an associated company of Wu Dingrong). Fixed interest rate for bank loan IV during the financial year was 8.4% per annum.

20. Borrowings (continued)

(iv) Other borrowings in 2014

1. Other borrowing I amounting to RMB 4,693,000 from a minority shareholder of the Company was unsecured with nominal interest rate of 10% per annum and was subsequently converted into convertible loan notes on 8 January 2015 (see Note 30).

2. Other borrowing II amounting to RMB 3,519,000 from third parties was unsecured with nominal interest rate of 8% per annum. These are advances received during the year in relation to the subscription of the convertible loan notes on 8 January 2015 (see Note 30).

(v) Bank borrowings in 2013

1. Bank loan I amounting to RMB 6,000,000 was secured by legal charge over the land and buildings of Xinghua Rongcheng Precision Manufacturing Co., Ltd. Fixed interest rate for bank loan I during the prior financial year was 7.2% per annum.

2. Bank loan II amounting to RMB 15,000,000 was unsecured, and the fixed interest rate during the prior financial year was 8.4% per annum.

3. Bank loan III amounting to RMB 2,992,000 was secured by RMB 3,027,000 fixed deposit. Fixed interest rate for bank loan III during the prior financial year was 1.8% per annum.

21. Investments in subsidiaries

	Company	
	2014	2013
	RMB'000	RMB'000
Equity investments at cost		
Beginning of financial year	**1**	1
Disposal	**–**	–
End of financial year	**1**	1

21. Investments in subsidiaries (continued)

The Group had the following subsidiaries as at 31 December 2014 and 2013:

Name of subsidiaries	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interest	
			2014 %	2013 %	**2014 %**	2013 %
OGL Investment Group Pte. Ltd. [1]	Investment holding	Singapore	**100**	100	**–**	–
OGL Steel (Philippines) Pte. Ltd. [1]	Steel trading	Singapore	**55**	55	**45**	45
OGL Energy Pte. Ltd.	Provision of liquefied natural gas	Singapore	**–**	100	**–**	–
Jiangyin Chengsheng Machinery Manufacturing Co., Ltd. (Jiangyin Chengsheng) [2]	Steel manufacturing	People's Republic of China	**100**	100	**–**	–
Xinghua Xincheng Trading Co., Ltd. (Xinghua Xincheng) [2]	Steel trading	People's Republic of China	**100**	100	**–**	–
Xinghua Rongcheng Precision Manufacturing Co., Ltd. (Xinghua Rongcheng) [2]	Steel manufacturing	People's Republic of China	**100**	100	**–**	–
OGL Steel (M) Sdn. Bhd. [1]	Steel trading	Malaysia	**55**	55	**45**	45

[1] Audited by PricewaterhouseCoopers LLP, Singapore for group and statutory reporting purposes.
[2] Audited by PricewaterhouseCoopers Zhong Tian LLP for group reporting purpose.

22. Share capital

	Number of ordinary shares	Share capital RMB'000
Group and Company		
2014		
Beginning and end of financial year	**387,730,870**	**179,491**
2013		
Beginning of financial year	208,564,203	72,333
Shares issued	179,166,667	107,158
End of financial year	387,730,870	179,491

22. Share capital (continued)

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

On 6 April 2013, the Company issued 179,166,667 ordinary shares for a total consideration of RMB 107.4 million for cash to provide funds for the expansion of the Group's operations. The newly issued shares rank *pari passu* in all respects with the previously issued shares.

23. Other reserves

		Group		Company	
		2014	2013	**2014**	2013
		RMB'000	RMB'000	**RMB'000**	RMB'000
(a)	Composition:				
	Statutory reserve (i)	**3,368**	2,756	**–**	–
	Capital reserve (ii)	**2,174**	2,174	**2,174**	2,174
	Foreign currency translation reserve (iii)	**(843)**	(864)	**(10,308)**	(6,130)
		4,699	4,066	**(8,134)**	(3,956)
(b)	Movements:				
	(i) Statutory reserve				
	Beginning of financial year	**2,756**	915	**–**	–
	Profit for the year	**612**	1,841	**–**	–
	End of financial year	**3,368**	2,756	**–**	–
	(ii) Capital reserve				
	Beginning and end of financial year	**2,174**	2,174	**2,174**	2,174
	(iii) Foreign currency translation reserve				
	Beginning of financial year	**(864)**	–	**(6,130)**	–
	Net currency translation differences of financial statements of foreign subsidiaries	**21**	(864)	**(4,178)**	(6,130)
	End of financial year	**(843)**	(864)	**(10,308)**	(6,130)

(i) Statutory reserve

The foreign PRC subsidiaries are required to appropriate 10% to 15% of the profit arrived at in accordance with PRC GAAP for each year to the statutory reserve. The profit arrived at must be set-off against any accumulated losses sustained by the subsidiaries in prior years, before allocation is made to the statutory reserve. Appropriation to the statutory reserve must be made before distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital and thereafter any appropriation will be voluntary. This statutory reserve is not distributable in the form of cash dividends.

(ii) Capital reserve - Equity component of convertible loan notes

On 30 July 2012, the Company entered into several subscription agreements with investors and issued an aggregate of RMB 15,314,000 of convertible loan notes (see Note 20). The value of the equity component of the convertible loan notes is approximately RMB 1,609,000 and is included in the capital reserve.

23. Other reserves (continued)

(ii) Capital reserve - Equity component of convertible loan notes (continued)

The value of the embedded option to convert the liability component of the convertible loan notes into equity of the Company as at the date of issue of the convertible loan notes is included in capital reserve. The value of the embedded option approximates RMB 565,000. The redeemable convertible loan notes were fully converted upon the initial public offering of the Company's shares in 2004.

24. Accumulated losses

Movement in accumulated losses for the Company is as follows:

	Company	
	2014	2013
	RMB'000	RMB'000
Beginning of financial year	**(23,005)**	(25,635)
Net (loss)/profit	**(12,986)**	2,630
Dividends relating to 2013 declared (Note 25)	**(2,737)**	–
End of financial year	**(38,728)**	(23,005)

25. Dividends

	Group	
	2014	2013
	RMB'000	RMB'000
Ordinary dividends paid		
Final dividend paid in respect of the previous financial year of RMB 0.71 cents (2013: nil) per share (Note 24)	**2,579**	–

At the Annual General Meeting on 28 April 2014, a final dividend of RMB 0.71 cents (equivalent to SGD 0.15 cents) per share amounting to a total of RMB 2,737,000 was declared.

26. Commitments

(i) Operating lease commitments – where the Group is a lessee

The Group leases factories, certain plant and machinery and office from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Not later than one year	**1,329**	1,339
Between one and five years	**5,173**	2,383
Later than five years	**981**	859
	7,483	4,581

26. Commitments (continued)

(ii) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Machinery	**22,013**	–

In 2014, the Group entered into a capital commitment with non-related party for the purchase of machinery used in the production of steel related products.

27. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group uses financial instruments such as foreign currency borrowings to hedge certain financial risk exposures.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management team then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits.

(a) Market risk

(i) Currency risk

The Group operates in Asia with dominant operations in China, Singapore, and Malaysia. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies").

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the Chinese Renminbi ("RMB"), Singapore Dollar ("SGD"), United States Dollar ("USD") and Ringgit Malaysia ("MYR").

27. Financial risk management (continued)

Financial risk factors (continued)

(i) Currency risk (continued)

The Group's currency exposure based on the information provided to key management is as follows:

Group	SGD RMB'000	USD RMB'000	MYR RMB'000	RMB RMB'000	Total RMB'000
At 31 December 2014					
Financial assets					
Cash and cash equivalents	1,630	1,077	–	2,737	5,444
Trade and other receivables	5,113	461	24	27,155	32,753
Receivables from subsidiaries	159,233	–	–	–	159,233
	165,976	1,538	24	29,892	197,430
Financial liabilities					
Trade and other payables	(17,615)	(2,158)	(351)	(37,166)	(57,290)
Borrowings	(21,964)	–	–	(65,000)	(86,964)
Payables to subsidiaries	(6,734)	–	(278)	–	(7,012)
	(46,313)	(2,158)	(629)	(102,166)	(151,266)
Net financial assets/ (liabilities)	**119,663**	**(620)**	**(605)**	**(72,274)**	**46,164**
Less: Net financial (assets)/ liabilities denominated in respective entity's functional currency	(119,663)	–	327	72,274	(47,062)
Currency exposure	**–**	**(620)**	**(278)**	**–**	**(898)**

Group	SGD RMB'000	USD RMB'000	MYR RMB'000	RMB RMB'000	Total RMB'000
At 31 December 2013					
Financial assets					
Cash and cash equivalents	243	1,025	6	15,346	16,620
Trade and other receivables	–	13	–	127,372	127,385
Receivables from subsidiaries	161,317	–	–	–	161,317
	161,560	1,038	6	142,718	305,322
Financial liabilities					
Trade and other payables	(12)	(3,635)	(5,000)	(94,692)	(103,339)
Borrowings	(13,612)	(2,992)	–	(21,000)	(37,604)
Payables to subsidiaries	–	–	(72)	–	(72)
	(13,624)	(6,627)	(5,072)	(115,692)	(141,015)
Net financial assets/(liabilities)	**147,936**	**(5,589)**	**(5,066)**	**27,026**	**164,307**
Less: Net financial (assets)/ liabilities denominated in respective entity's functional currency	(147,936)	–	4,994	(27,026)	(169,968)
Currency exposure	**–**	**(5,589)**	**(72)**	**–**	**(5,661)**

27. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Company's currency exposure based on the information provided to key management is as follows (continued):

Company	SGD RMB'000	USD RMB'000	MYR RMB'000	RMB RMB'000	Total RMB'000
At 31 December 2014					
Financial assets					
Cash and cash equivalents	1,389	98	–	13	1,500
Trade and other receivables	162,852	–	–	–	162,852
	164,241	98	–	13	164,352
Financial liabilities					
Trade and other payables	(17,342)	(29)	(278)	(251)	(17,900)
Borrowings	(17,271)	–	–	–	(17,271)
	(34,613)	(29)	(278)	(251)	(35,171)
Net financial assets/ (liabilities)	**129,628**	**69**	**(278)**	**(238)**	**129,181**
Less: Net financial assets denominated in the respective entity's functional currency	(129,628)	–	–	–	(129,628)
Currency exposure	**–**	**69**	**(278)**	**(238)**	**(447)**

Company	SGD RMB'000	USD RMB'000	MYR RMB'000	RMB RMB'000	Total RMB'000
At 31 December 2013					
Financial assets					
Cash and cash equivalents	3,137	672	–	6	3,815
Trade and other receivables	167,969	5,782	–	–	173,751
	171,106	6,454	–	6	177,566
Financial liabilities					
Trade and other payables	(2,415)	(8,054)	(72)	–	(10,541)
Borrowings	(13,612)	(2,992)	–	–	(16,604)
	(16,027)	(11,046)	(72)	–	(27,145)
Net financial assets/ (liabilities)	**155,079**	**(4,592)**	**(72)**	**6**	**150,421**
Less: Net financial assets denominated in the respective entity's functional currency	(155,079)	–	–	–	(155,079)
Currency exposure	**–**	**(4,592)**	**(72)**	**6**	**(4,658)**

27. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the USD and MYR change against the RMB, USD, MYR and RMB change against SGD, change by 10% (2013: 10%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial liability/ asset position will be as follows:

	Increase/(Decrease)	
	2014	2013
	Profit	Profit
	after tax	after tax
	RMB'000	RMB'000
Group		
USD against RMB		
- Strengthened	**(51)**	(464)
- Weakened	**51**	464
MYR against RMB		
- Strengthened	**(23)**	(6)
- Weakened	**23**	6
Company		
USD against SGD		
- Strengthened	**6**	(381)
- Weakened	**(6)**	381
MYR against SGD		
- Strengthened	**(23)**	(6)
- Weakened	**23**	6
RMB against SGD		
- Strengthened	**(20)**	–*
- Weakened	**20**	–*

** Less than RMB 1,000*

(ii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to market risk for changes in interest rates relates primarily to bank borrowings. The Group and Company has insignificant exposure to cash flow interest rate risk as the Group and Company only has fixed rate bank borrowings.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade receivables.

27. Financial risk management (continued)

(b) Credit risk (continued)

For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history, and monitors the granting of credit and management of credit exposures. For other financial assets such as bank deposits, the Group adopts the policy of dealing only with high credit quality counterparties.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The trade receivables of the Group and the Company comprise five debtors (2013: five debtors) and five debtors (2013: one debtor) that represented 43% (2013: 88%) and 98% (2013: 100%) of trade receivables respectively.

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Past due < 1 month	**8,683**	106,689	**1,901**	96
Past due 1 to 4 months	**4,438**	3,888	**722**	2,714
Past due over 4 months	**4,627**	786	**–**	2,972
	17,748	111,363	**2,623**	5,782

There is no allowance for impairment recognised for trade receivables in 2014 and 2013.

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and Company's liquidity risk management policy is to maintain sufficient liquid financial assets to meet their working capital requirements of their financial liabilities which comprise mainly borrowings and trade and other payables.

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flow.

27. Financial risk management (continued)

(c) Liquidity risk (continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Group				
At 31 December 2014				
Borrowings	(89,617)	–	–	–
Trade and other payables	(57,290)	–	–	–
At 31 December 2013				
Borrowings	(26,272)	(15,558)	–	–
Trade and other payables	(103,339)	–	–	–
Company				
At 31 December 2014				
Borrowings	(17,935)	–	–	–
Trade and other payables	(17,900)	–	–	–
At 31 December 2013				
Borrowings	(4,718)	(15,558)	–	–
Trade and other payables	(10,541)	–	–	–

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. Management monitors capital based on total debt divided by total equity. Total debt is calculated as borrowings plus trade and other payables. The Group and Company's total debt to equity ratio is 92% (2013: 85%) and 27% (2013: 18%) respectively.

The Group is not subject to any externally imposed capital requirement for the financial year ended 31 December 2014 and 2013.

(e) Fair value measurements

The carrying amount of trade and other receivables and payables are assumed to approximate their fair values.

The fair value of current loans and borrowings approximates their carrying amount.

Financial instrument by category

The carrying amounts of the different categories of financial instruments are as follows:

	Group		Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Loans and receivables	**38,197**	144,005	**164,352**	177,566
Financial liabilities at amortised cost	**146,238**	143,414	**35,171**	27,145

28. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(i) Sales and purchases of goods and services

	Group	
	2014	2013
	RMB'000	RMB'000
Sales of goods to related parties	**23,571**	178,086
Purchase of raw materials from related parties	**1,404**	11,274
Rental expense of machinery paid to other related parties	**–**	1,258
Fees for services paid to related party	**1,581**	–
Payments made on behalf and reimbursed by a related party	**8,808**	951

Related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel and their associates.

Outstanding balances as at 31 December 2014, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 12 and 19 respectively.

(ii) Key management personnel compensation

Compensation payable to key management personnel comprise:

	Group	
	2014	2013
	RMB'000	RMB'000
Wages and salaries	**2,608**	2,367
Employer's contribution to defined contribution plans, including Central Provident Fund	**236**	62

Details on directors' remuneration are disclosed in the Corporate Governance Report.

29. Segment information

Management has determined the reportable and operating segments based on internal management reports received by the senior management team that are used to make strategic decisions, allocate resources and assess performance. The senior management team comprises the Chief Executive Officer, the Group Financial Controller, the executive and non-executive directors, and the heads of each business within each primary geographic segment.

The senior management considers the business from both a business and geographic segment perspective. There is only one business segment 'Industrial and Construction Materials' which management monitors the sales geographically.

Performance for the 'Industrial and Construction Materials' business segment is measured based on profit before income tax, as included in the internal management reports that are reviewed by the Board of Directors. Profit before income tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of the Group.

The amounts reported to the senior management with respect to total segment assets and liabilities are measured in a manner consistent with that of the financial statements.

29. Segment information (continued)

Geographical information

The Group operates its only business segment in three main geographical areas:

- Singapore – the Company is headquartered and has operations in Singapore. The operations in this area are principally the trading of steel products and investment holding;
- People's Republic of China – the operations in this area are principally the manufacture and sale of steel products
- Malaysia – the operations in this area are principally the trading of steel products.

In presenting information on the basis of 'Industrial and Construction Materials' segment geographically, segment revenue is based on the geographical location of customers, segment profit or loss before income tax is based on the subsidiaries incorporated in each geographical location, and segment assets are based on the geographical location of the assets.

	2014		2013	
Industrial and Construction Materials segment	**RMB'000**	**%**	RMB'000	%
Group				
Revenue				
China	**318,517**	**85**	367,730	84
Singapore	**32,869**	**9**	58,353	13
Malaysia	**15,882**	**4**	9,828	2
Other countries	**9,476**	**2**	3,235	1
	376,744	**100**	439,146	100
(Loss)/profit before income tax				
China	**7,999**	**(187)**	23,415	220
Singapore	**(12,133)**	**283**	(12,105)	(114)
Malaysia	**(155)**	**4**	(672)	(6)
	(4,289)	**100**	10,638	100
Non-current assets [(i)]				
China	**232,956**	**97**	130,441	98
Singapore	**7,727**	**3**	2,048	2
Malaysia	**7**	**–***	8	–*
	240,690	**100**	132,497	100

(i) Non-current assets presented consist of property, plant and equipment, lease prepayments, intangible assets and other non-current assets.

* *Less than 1%.*

Revenue from one customer of the Group's 'Industrial and Construction Materials' segment represents approximately RMB 134,251,000 (2013: RMB 178,100,000) of the Group's total revenue.

30. Events occurring after balance sheet date

On 8 January 2015, the Company entered into a subscription agreement with 8 lenders, pursuant to which the lenders have agreed to grant unsecured convertible loans amounting to an aggregate of SGD 5,500,000 (RMB 25,583,000), convertible into new ordinary shares in the capital of the Company on the terms and conditions as set out in the subscription agreement with each convertible note carrying a principal face value of SGD 250,000 (RMB 1,163,000) and bearing interest rate at 8% per annum.

31. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2015 and which the Group has not early adopted:

- FRS 102 *Share-based payment* (effective for annual periods beginning on or after 1 July 2014)

  The amendment clarifies the definition of vesting condition and separately defines 'performance condition' and 'service condition'. The Group will apply this amendment from 1 January 2015, but this is not expected to have any significant impact on the financial statements of the Group.

- FRS 103 *Business Combinations* (effective for annual periods beginning on or after 1 July 2014)

  The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in FRS 32, *Financial instruments: Presentation*. The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

  The standard is also amended to clarify that FRS 103 does not apply to the accounting for the formation of any joint arrangement under FRS 111. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

  The Group will apply this amendment for business combinations taking place on/after 1 January 2015.

- FRS 40 *Investment Property* (effective for annual periods beginning on or after 1 July 2014)

  The standard is amended to clarify that FRS 40 and FRS 103 are not mutually exclusive. The guidance in FRS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in FRS 103 to determine whether the acquisition of an investment property is a business combination.

  The Group will apply this amendment for acquisition of investment property taking place on/after 1 January 2015.

- FRS 108 *Operating Segments* (effective for annual periods beginning on or after 1 July 2014)

  The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics.

  The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.

  This amendment will not result in any changes to the Group's accounting policies but will require more disclosures in the financial statements.

- FRS 16 *Property, Plant and Equipment* (effective for annual periods beginning on or after 1 July 2014)

  The standard is amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to the revalued amount. The split between gross carrying amount and accumulated depreciation is treated in one of the following ways:

  – either the gross carrying amount is restated in a manner consistent with the revaluation of the carrying amount, and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses; or

  – the accumulated depreciation is eliminated against the gross carrying amount of the asset.

  This amendment is not expected to have any significant impact on the financial statements of the Group.

31. New or revised accounting standards and interpretations (continued)

- FRS 24 *Related Party Disclosures* (effective for annual periods beginning on or after 1 July 2014)

  The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity').

  The reporting entity is not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

  This amendment will not result in any changes to the Group's accounting policies but will require more disclosures in the financial statements.

- FRS 113 *Fair Value Measurement* (effective for annual periods beginning on or after 1 July 2014)

  The amendment clarifies that the portfolio exception in FRS 113, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of FRS 39.

  This amendment is not expected to have any significant impact on the financial statements of the Group.

32. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Oriental Group Ltd. on 10 April 2015.

STATISTICS OF SHAREHOLDINGS

SHAREHOLDERS' INFORMATION AS AT 19 MARCH 2015

Class of Equity Securities	Number of Equity Securities	Voting Rights
Ordinary Shares	387,730,870	One vote per share (excluding treasury shares)
Treasury Shares	Nil	Nil

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 19 MARCH 2015

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	3	0.81	185	0.00
100 - 1,000	106	28.65	104,333	0.03
1,001 - 10,000	79	21.35	461,700	0.12
10,001 - 1,000,000	138	37.30	27,041,822	6.97
1,000,001 and above	44	11.89	360,122,830	92.88
TOTAL	**370**	**100.00**	**387,730,870**	**100.00**

TWENTY LARGEST SHAREHOLDERS

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHARES
1	DINGJI INVESTMENTS LTD	71,666,667	18.48
2	MAYBANK NOMINEES (SINGAPORE) PTE LTD	34,806,453	8.98
3	UOB KAY HIAN PTE LTD	28,031,465	7.23
4	OVERSEA CHINESE BANK NOMINEES PTE LIMITED	18,000,000	4.64
5	DBS NOMINEES PTE LTD	17,110,000	4.41
6	LIOU FANG YOU	13,838,001	3.57
7	LIAN DING MANAGEMENT LTD	13,714,637	3.54
8	HONG LEONG FINANCE NOMINEES PTE LTD	12,282,300	3.17
9	MAYBANK KIM ENG SECURITIES PTE LTD	10,096,742	2.60
10	NG LENG HUAT	9,977,667	2.57
11	WU XIAODONG	9,353,742	2.41
12	ONG BOON KIAT	8,139,000	2.10
13	GIANT SUCCESS INVESTMENTS LIMITED	8,000,000	2.06
14	HL BANK NOMINEES (SINGAPORE) PTE LTD	7,929,000	2.05
15	WU DINGCHENG	7,823,130	2.02
16	GRAND RADIANT INTERNATIONAL LIMITED	7,083,333	1.83
17	JIN HONG HOLDINGS LIMITED	7,083,333	1.83
18	XIN ZHAN INVESTMENT PTE LTD	6,200,000	1.60
19	RAFFLES NOMINEES (PTE) LTD	6,050,000	1.56
20	KOH SOON YEE	5,000,000	1.29
	Total:	302,185,470	77.94

STATISTICS OF SHAREHOLDINGS

SUBSTANTIAL SHAREHOLDERS
(As recorded in Register of Substantial Shareholders)

	Direct Interest		Deemed Interest		Aggregate Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dingji Investments Ltd [1]	77,986,667	20.11	-	-	77,986,667	20.11
Wu Dingrong [1]	-	-	77,986,667	20.11	77,986,667	20.11
Sun Lu [1]	-	-	77,986,667	20.11	77,986,667	20.11
Miao Lina [1]	-	-	77,986,667	20.11	77,986,667	20.11
Lee Wan Sing [2]	-	-	20,348,653	5.25	20,348,653	5.25
Liou Fang You [3]	13,838,001	3.57	8,000,000	2.06	21,838,001	5.63
Tan Seow Juay [4]	5,000,000	1.29	21,500,000	5.54	26,500,000	6.83
Tam Bee Mooi [4]	1,500,000	0.39	25,000,000	6.45	26,500,000	6.83
Ong Yick Yih [5]	-	-	20,336,667	5.25	20,336,667	5.25

(1) Dingji Investments Ltd is a company established in BVI and its shares are held equally between Sun Lu and Miao Lina. Sun Lu is son in law of Wu Dingrong and Miao Lina is adopted daughter of Wu Dingrong. Sun Lu and Miao Lina are holding the shares in Dingji Investments Ltd on trust for Wu Dingrong, therefore, Wu Dingrong is the beneficial owner of and deemed interested in the 77,986,667 Shares held under Dingji Investments Ltd.

(2) Lee Wan Sing is the beneficial owner of and deemed interested in the 6,348,653 Shares held under Mayban Nominees (S) Pte Ltd. deemed interested in the 9,000,000 Shares held under OCBC Limited and deemed interested in the 5,000,000 Shares held under Hong Leong Finance Limited. Therefore, Lee Wan Sing is deemed to hold 20,348,653 Shares of the Company.

(3) As Liou Fang You holds 100% of the issued and paid up shares in the share capital of Giant Success Investments Limited, in accordance with Section 7 of the Act, he is deemed to be interested in all the 8,000,000 shares of the Company owned by Giant Success Investments Limited. Therefore, Liou Fang You is deemed to hold 8,000,000 Shares of the Company.

(4) Tan Seow Juay is the beneficial owner of and deemed interested in the 5,000,000 Shares held under Mayban Nominees (S) Pte Ltd, deemed interested in the 9,000,000 Shares held under OCBC Limited and deemed interested in the 6,000,000 Shares held under Hong Leong Finance Limited. Tam Bee Mooi is the wife of Tan Seow Juay, Tan Seow Juay is deemed to be interested in the 1,500,000 Shares held by Tam Bee Mooi. Therefore, Tan Seow Juay is deemed to hold 21,500,000 Shares of the Company. Tan Seow Juay is the husband of Tam Bee Mooi, Tam Bee Mooi is deemed to be interested in the 25,000,000 Shares held by Tan Seow Juay.

(5) Ong Yick Yih is the beneficial owner of and deemed interested in the 3,900,000 Shares held under Mayban Nominees (S) Pte Ltd and deemed interested in the 7,270,000 Shares held under DBS Nominees. As Ong Yick Yih holds 100% of the issued and paid up shares in the capital of Frankland Investments Limited, in accordance with Section 7 of the Act, he is deemed to be interested in all the 9,166,667 Shares of the Company owned by Frankland Investments Limited. Therefore, Ong Yick Yih is deemed to hold 20,336,667 Shares of the Company.

The percentage of shareholding above is computed based on the total issued shares of 387,730,870.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on information available to the Company as at 19 March 2015, approximately 55.64% of the Company's shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Catalist Rules.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting ("**AGM**") of **Oriental Group Ltd** (the "**Company**") will be held at 10 Upper Aljunied Link, #04-09, Singapore 367904 on 30 April 2015 at 2.30 p.m. for the following purposes:–

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Accounts for the financial year ended 31 December 2014 together with the Directors' Report and Independent Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors pursuant to Article 91 of the Articles of Association of the Company ("**Articles**"):

Mr Wu Dingrong	(Retiring under Article 91)	**(Resolution 2)**
Mr Ong Wee Chuan	(Retiring under Article 91)	**(Resolution 3)**
Mr Tan Song Kwang	(Retiring under Article 91)	**(Resolution 4)**

[See Explanatory Note (i)]

3. To approve the payment of Directors' Fees of S$230,000 for the financial year ended 31 December 2014. **(Resolution 5)**

4. To approve the payment of Directors' Fees up to S$230,000 for the financial year ending 31 December 2015 to be paid quarterly in arrears. **(Resolution 6)**

5. To re-appoint Messrs PricewaterhouseCoopers LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

6. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution (with or without amendments) as Ordinary Resolution:–

7. **General mandate to allot and issue new shares in the capital of the Company**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Act**") and Rule 806 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Catalist Rules**"), authority be and is hereby given to the Directors of the Company ("**Directors**") to:–

(A) (i) allot and issue shares in the capital of the Company ("**Shares**") (whether by way of rights, bonus or otherwise); and/or

(ii) make or grant offers, agreements, or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible or exchangeable into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:

(i) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed one hundred per cent (100%) of the total issued Shares excluding treasury shares (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total issued Shares excluding treasury shares (as calculated in accordance with sub-paragraph (ii) below); and

(ii) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of the total number of issued Shares excluding treasury shares shall be calculated based on the total number of issued Shares excluding treasury shares at the time of this Resolution is passed, after adjusting for:

(aa) new Shares arising from the conversion or exercise of convertible securities;

(bb) new Shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(cc) any subsequent bonus issue, consolidation or subdivision of Shares;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act and the Articles for the time being of the Company; and

(iv) (unless revoked or varied by the Company in a general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

[See Explanatory Note (ii)] **(Resolution 8)**

BY ORDER OF THE BOARD

ONG WEI JIN
COMPANY SECRETARY
15 APRIL 2015
SINGAPORE

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Resolution 2 – Mr Wu Dingrong will, upon re-election as a Director of the Company, remain as the Non-Executive Chairman of the Board and a member of the Remuneration Committee and Nominating Committee.

Resolution 3 – Mr Ong Wee Chuan will, upon re-election as a Director of the Company, remain as the Non-Executive Director of the Company.

Resolution 4 – Mr Tan Song Kwang will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee, a member of the Audit Committee and Remuneration Committee. The Board considers Mr Tan Song Kwang to be independent for the purposes of Rule 704(7) of Catalist Rules.

(ii) The Resolution 8 set out in item 7 above, if passed, will empower the Directors from the date of this AGM until the date of the next AGM or the date by which the next AGM is required by law to be held or such authority is revoked or varied by the Company in a general meeting, whichever is earlier, to allot and issue Shares and/or convertible securities in the Company. The aggregate number of Shares and/or convertible securities which the Directors may allot and issue under this Resolution shall not exceed one hundred percent (100%) of the total issued Shares excluding treasury shares of which the aggregate number of Shares and/or convertible securities to be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed fifty percent (50%) of the total issued Shares excluding treasury shares at the time of passing of this Resolution.

Notes:–

(i) A member entitled to attend and vote at the AGM is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead.

(ii) Where a member appoints two (2) proxies, he/she shall specify the percentage of his/her shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent one hundred percent (100%) of his/her shareholding and the second named proxy shall be deemed to be an alternate to the first named.

(iii) A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member of the Company.

(iv) The instrument appointing a proxy or proxies must be deposited together with the power of attorney (if any) under which it is signed or a notarially certified or office copy thereof at the Company's share transfer agent in Singapore, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.), either by hand at 80 Robinson Road, #11-02 Singapore 068898 or by post at 80 Robinson Road, #02-00, Singapore 068898, not less than forty-eight (48) hours before the time appointed for the AGM in accordance with the instruction stated herein.

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ORIENTAL GROUP LTD

Company Registration No. 200401998C

(Incorporated in the Republic of Singapore)

IMPORTANT:

1. For investors who have used their CPF monies to buy Oriental Group Ltd's shares, this Annual Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We _____ (Name) NRIC/Passport No. _____

of _____ (Address)

being a member/members of Oriental Group Ltd ("**Company**"), hereby appoint:–

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing him/her/them, the Chairman of the Annual General Meeting ("**AGM**") of the Company as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the AGM to be held at 10 Upper Aljunied Link, #04-09, Singapore 367904 on 30 April 2015 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(If you wish to exercise all your votes "For" or "Against", please indicate a tick [X] within the box provided. Alternatively, please indicate the number of votes as appropriate.)

No.	**Resolutions relating to:**	**For**	**Against**
	Ordinary Business		
1.	Adoption of the Audited Accounts, Directors' Report and Independent Auditors' Report for the financial year ended 31 December 2014		
2.	Re-election of Mr Wu Dingrong as a Director of the Company		
3.	Re-election of Mr Ong Wee Chuan as a Director of the Company		
4.	Re-election of Mr Tan Song Kwang as a Director of the Company		
5.	Approval of payment of Director' fees amounting to S$230,000 for the financial year ended 31 December 2014		
6.	Approval of payment of Director's fee up to S$230,000 for the financial year ending 31 December 2015 to be paid quarterly in arrears		
7.	Re-appointment of Messrs PricewaterhouseCoopers LLP as Auditors of the Company and to authorize the Directors to fix their remuneration		
	Special Business		
8.	General authority to allot and issue new shares pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore		

Dated this _____ day of _____ 2015

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

_____

Signature(s) of Shareholder(s) or,

Common Seal of Corporate Shareholder

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Affix
postage
stamp

ORIENTAL GROUP LTD

80 Robinson Road,
02-00, Singapore 068898

2nd fold here

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at the AGM is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead.
3. Where a member appoints two proxies, he/she shall specify the percentage of his/her shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent one hundred percent (100%) of his/her shareholding and the second named proxy shall be deemed to be an alternate to the first named.
4. A proxy need not be a member of the Company.
5. The instrument appointing a proxy or proxies must be deposited together with the power of attorney (if any) under which it is signed or a notarially certified or office copy thereof at the Company's share transfer agent in Singapore, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.), either by hand at 80 Robinson Road, #11-02 Singapore 068898 or by post at 80 Robinson Road, #02-00, Singapore 068898, not less than forty-eight (48) hours before the time appointed for the AGM in accordance with the instruction stated herein.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such a person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
7. Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be for or against the Resolutions as set out in the Notice of AGM. In the absence of specific directions, the proxy/proxies will vote or abstain as he/she/they may think fit, as he/she/they will on any other matter arising at the AGM.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.
9. In the case of a member whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register forty-eight (48) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

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