



ORIENTAL GROUP

(Incorporated in the Republic of Singapore)

Company Registration No.: 200401998C

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR HALF YEAR ENDED 30 JUNE 2014

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PART I: INFORMATION REQUIRED FOR HALF YEAR ANNOUNCEMENTS

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group Unaudited half year ended 30 June		Increase / (Decrease)
	2014 RMB'000	2013 RMB'000	
Revenue	251,596	117,961	113
Cost of sales	(232,049)	(106,875)	117
Gross profit	19,547	11,086	76
Other income	1,091	-	NM
Distribution expenses	(2,114)	(1,244)	70
Administrative expenses	(9,312)	(5,811)	60
Other expenses	(155)	(85)	82
Results from operating activities	9,057	3,946	130
Finance income	14	166	(92)
Finance expenses	(2,171)	(633)	243
Profit before income tax	6,900	3,479	98
Income tax expense	(3,666)	(2,062)	78
Net Profit	3,234	1,417	128



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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Con't)

	Group Unaudited half year ended 30 June		Increase / (Decrease)
	2014	2013	
	RMB'000	RMB'000	%
Profit attributable to:			
Owners of the Company	3,208	1,768	81
Non-controlling interests	26	(351)	NM
Net Profit	<u>3,234</u>	<u>1,417</u>	128
Other comprehensive income for the period			
- Translation differences relating to financial statement of a subsidiary with functional currency other than RMB	(123)	-	NM
Other comprehensive income for the period, net of tax	<u>(123)</u>	<u>-</u>	NM
Total comprehensive income for the period, net of tax	<u>3,111</u>	<u>1,417</u>	120
Total comprehensive income attributable to:			
Owners of the Company	3,085	1,768	74
Non-controlling interests	26	(351)	NM
Total comprehensive income for the period, net of tax	<u>3,111</u>	<u>1,417</u>	120
Gross profit margin	7.8%	9.4%	
Net profit margin	1.3%	1.2%	

NM: Not Meaningful



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

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

	Group Unaudited half year ended 30 June		Increase / (Decrease) %
	2014	2013	
	RMB'000	RMB'000	
Directors' remuneration	472	472	NM
Directors' fees	423	318	33
Depreciation of property, plant and equipment	4,668	315	1,382
Amortisation of lease prepayments	245	-	NM
Amortisation of intangible asset	22	8	175
Operating lease expense	1,015	1,437	(29)
Exchange (gain)/ loss, net	65	(131)	NM
Other income	(1,091)	-	NM
- Government incentives	(821)	-	NM
- Others	(270)	-	NM

NM: Not Meaningful



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

STATEMENT OF FINANCIAL POSITION

	Group		Company	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(audited)	(unaudited)	(audited)
Non-current assets				
Property, plant and equipment	107,851	108,168	2,141	2,048
Lease prepayments	24,040	24,285	-	-
Intangible assets	22	44	-	-
Subsidiaries	-	-	1	1
	<u>131,913</u>	<u>132,497</u>	<u>2,142</u>	<u>2,049</u>
Current assets				
Inventories	37,000	36,088	-	-
Trade and other receivables	229,910	129,902	178,674	173,811
Cash at bank and in hand	36,927	16,620	6,368	3,815
	<u>303,837</u>	<u>182,610</u>	<u>185,042</u>	<u>177,626</u>
Current liabilities				
Trade and other payables	127,889	106,971	17,977	10,541
Loans and Borrowings	119,069	23,992	3,069	2,992
Current tax payable	3,142	2,303	334	-
	<u>250,100</u>	<u>133,266</u>	<u>21,380</u>	<u>13,533</u>
Net current assets	<u>53,737</u>	<u>49,344</u>	<u>163,662</u>	<u>164,093</u>
Non-current liability				
Convertible notes	<u>14,310</u>	<u>13,612</u>	<u>14,310</u>	<u>13,612</u>
Net assets	<u><u>171,340</u></u>	<u><u>168,229</u></u>	<u><u>151,494</u></u>	<u><u>152,530</u></u>
Equity				
Share capital	179,491	179,491	179,491	179,491
Reserves	(7,681)	(10,766)	(27,997)	(26,961)
Equity attributable to owners of the Company	<u>171,810</u>	<u>168,725</u>	<u>151,494</u>	<u>152,530</u>
Non-controlling interests	(470)	(496)	-	-
Total equity	<u><u>171,340</u></u>	<u><u>168,229</u></u>	<u><u>151,494</u></u>	<u><u>152,530</u></u>



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

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

As at 30.6.2014		As at 31.12.2013	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
119,069	-	8,992	15,000

Amount repayable after one year:

As at 30.6.2014		As at 31.12.2013	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
Nil	14,310	Nil	13,612

Explanatory notes on Loans and Borrowings:

Secured loans and borrowings

1. Bank Loan I amounting to RMB6 million was secured by legal charge over land and buildings of Xinghua Rongcheng Precision Manufacturing Co., Ltd. (hereinafter refer to as "Xinghua Rongcheng"), a wholly-owned subsidiary of the Group in People's Republic of China ("PRC"). Average interest rate for Bank Loan I during the six months financial period ended 30 June 2014 was approximately 7.8% per annum.
2. Bank Loan II amounting to RMB15 million was secured by personal guarantee by the Group's Non-Executive Chairman and controlling shareholder of the Company, Mr. Wu Dingrong and a corporate guarantee by a related party, 江阴锦澄钢铁有限公司¹ (Jiangyin Jincheng Steel Co., Ltd.) (hereinafter refer to as "Jiangyin Jincheng"). Average interest rate for Bank Loan II during the six months financial period ended 30 June 2014 was approximately 9.0% per annum.
3. Bank Loan III amounting to RMB3.07 million (denominated in USD0.49 million) was secured by USD0.50 million fixed deposit. Average interest rate for Bank Loan III during the six months financial period ended 30 June 2014 was approximately 1.8% per annum.
4. Bank Loan IV amounting to RMB95 million was secured by a legal charge over the land and buildings of Jiangyin Chengsheng Machinery Manufacturing Co., Ltd. (hereinafter refer to as "Jiangyin Chengsheng"), a wholly-owned subsidiary of the Group in PRC, and corporate guarantee given by Xinghua Rongcheng. Average interest rate for Bank Loan IV during the six months financial period ended 30 June 2014 was approximately 6.0% per annum.



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Unsecured loans and borrowings

1. The convertible notes amounting to RMB14.31 million (denominated in SGD3 million) issued on 30 July 2012 and due on 29 July 2015 bear an interest rate of 8% per annum. The notes are convertible into new ordinary shares in the capital of the Company. The term of conversions are stated below:

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

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

Note:

Subsequent to the six months financial period ended 30 June 2014, the Group's subsidiary has obtained a new loan amounting to RMB30.0 million from a PRC bank as its working capital to support the expansion of its business operation. The loan was secured by a corporate guarantee given by Jiangyin Chengsheng and Jiangyin Jincheng. The interest rate was approximately 7.8% per annum.

¹ Jianyin Jincheng is deemed as an associate of the Non-Executive Chairman and controlling shareholder of the Company, Mr. Wu Dingrong by virtue of his interest in this company.



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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Group	
	Unaudited half year ended 30 June	
	2014	2013
	RMB'000	RMB'000
<u>Cash flows from operating activities</u>		
Profit before tax for the period	6,900	3,479
Adjustments for:		
Depreciation of property, plant and equipment	4,668	315
Amortisation of lease prepayments	245	-
Amortisation of intangible asset	22	8
Unrealised foreign exchange gain in relation to convertible loan notes	-	(131)
Interest income	(14)	-
Interest expense	2,137	598
Operating cash flows before working capital changes	13,958	4,269
Increase in inventories	(912)	(14,666)
Increase in trade and other receivables	(100,008)	(29,437)
Increase in trade and other payables	35,505	16,035
Cash used in operations	(51,457)	(23,799)
Income taxes paid	(2,827)	(1,677)
Net cash used in operating activities	(54,284)	(25,476)
<u>Cash flows from investing activities</u>		
Net cash outflow on acquisition of subsidiary (Note 1)	-	(48,692)
Purchase of property, plant and equipment	(4,353)	(18,922)
Purchase of intangible asset	-	(52)
Interest received	14	-
Net cash used in investing activities	(4,339)	(67,666)
<u>Cash flows from financing activities</u>		
Proceeds from bank borrowings	95,000	-
Deposit pledged	(15,000)	-
Repayment of amount due to related parties (non-trade)	(14,741)	-
Net proceeds from issue of shares	-	107,157
Interest paid	(1,981)	(1,019)
Net cash generated from financing activities	63,278	106,138
Net increase in cash and cash equivalents	4,655	12,996
Effect of exchange rate fluctuation on cash	574	131
Cash and cash equivalents at beginning of the period	7,582	5,211
Cash and cash equivalents at end of the period	12,811	18,338



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CONSOLIDATED STATEMENT OF CASH FLOWS (Con't)

	Group Unaudited half year ended 30 June	
	2014 RMB'000	2013 RMB'000
Cash at bank and in hand	36,927	18,338
Less: Deposits pledged for bank borrowings	(24,116)	-
Cash and cash equivalents	12,811	18,338

Note 1:

Assets acquired and liabilities recognised at the date of acquisition:

	Unaudited half year ended 30 June 2013 RMB'000
<u>Total assets</u>	
Property, plant and equipment	65,492
Other receivables and prepayments	1,200
Cash and bank balances	6,308
	73,000
<u>Total liabilities</u>	
Other payables and accruals	(12,000)
Borrowings	(6,000)
	(18,000)
Nets assets	55,000
Total consideration paid in cash	55,000
Less: cash and cash equivalents acquired	6,308
Net cash outflow on acquisition of subsidiary	48,692



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

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital reserve	Statutory reserve	Accumulated losses	Foreign currency translation reserve	Attributable to owners of the company	Non- Controlling Interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group (unaudited)								
Balance at 1 January 2013	72,333	2,174	915	(17,747)	-	57,675	(64)	57,611
Total comprehensive income for the period								
Profit for the period	-	-	-	1,768	-	1,768	(351)	1,417
Total comprehensive income for the period	-	-	-	1,768	-	1,768	(351)	1,417
Transactions with owners, recorded directly in equity								
Issue of shares	107,445	-	-	-	-	107,445	-	107,445
Share issue costs	(288)	-	-	-	-	(288)	-	(288)
Total transactions with owners recorded directly in equity	107,157	-	-	-	-	107,157	-	107,157
Balance at 30 June 2013	179,490	2,174	915	(15,979)	-	166,600	(415)	166,185



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STATEMENTS OF CHANGES IN EQUITY (Cont't)

	Share capital	Capital reserve	Statutory reserve	Accumulated losses	Foreign currency translation reserve	Attributable to owners of the company	Non- Controlling Interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group								
Balance at 1 January 2014	179,491	2,174	2,756	(14,832)	(864)	168,725	(496)	168,229
Total comprehensive income for the period								
Profit for the period	-	-	887	2,321	-	3,208	26	3,234
Foreign currency translation difference	-	-	-	-	(123)	(123)	-	(123)
Total comprehensive income for the period	-	-	887	2,321	(123)	3,085	26	3,111
At 30 June 2014	179,491	2,174	3,643	(12,511)	(987)	171,810	(470)	171,340



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STATEMENTS OF CHANGES IN EQUITY (Cont't)

	Share capital	Capital reserve	Accumulated losses	Foreign currency translation reserve	Total equity
<u>Company (unaudited)</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Balance at 1 January 2013	72,333	2,174	(25,635)	-	48,872
Total comprehensive income for the period					
Loss for the period	-	-	(7,681)	-	(7,681)
Total comprehensive income for the period	-	-	(7,681)	-	(7,681)
Transactions with owners, recorded directly in equity					
Issue of shares	107,445	-	-	-	107,445
Share issue costs	(288)	-	-	-	(288)
Transactions with owners, recorded directly in equity	107,157	-	-	-	107,157
Balance at 30 June 2013	179,490	2,174	(33,316)	-	148,348
Balance at 1 January 2014	179,491	2,174	(23,005)	(6,130)	152,530
Total comprehensive income for the period					
Loss for the period	-	-	(5,897)	-	(5,897)
Foreign currency translation difference	-	-	-	4,861	4,861
Total comprehensive income for the period	-	-	(5,897)	4,861	(1,036)
Balance at 30 June 2014	179,491	2,174	(28,902)	(1,269)	151,494



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

Share Capital of the Company as at	30.6.2014	31.12.2013
Number of ordinary shares	387,730,870	387,730,870

There has been no changes in the issued share capital of the Company since the last period reported on.

Convertible Shares of the Company as at	30.6.2014	30.6.2013
Number of shares that maybe issued on conversion of all outstanding convertible notes	23,076,923	25,000,000

There was no conversion of any outstanding convertible notes from 30 June 2013 to 30 June 2014. The change in number of shares that may be issued upon conversion of all outstanding convertibles notes as at 30 June 2014 was mainly due to the change in conversion price based on the convertible notes issuance agreement.

The Company did not hold any treasury shares as at 30 June 2014 and 30 June 2013 respectively.

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

	Group and Company	
	30.6.2014	31.12.2013
	No. of shares	No. of shares
Total number of issued shares	387,730,870	387,730,870

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

Not applicable.

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

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



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

Not applicable.

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

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation as in the most recently audited financial statements for the year ended 31 December 2013.

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

The Group has adopted the new or revised Singapore Financial Reporting Standards (FRS) and the interpretation of FRS (INT FRS) that are relevant to its operations and effective for annual period beginning on or after 1 January 2014. The Group anticipates the adoption of the new or revised FRS and INT FRS will not have a material impact on the financial statement of the Group and the Company for the current financial period reported on.

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

	Group Half year ended 30 June	
	2014 RMB'000	2013 RMB'000
Net Profit for the period	3,208	1,768
Earnings per share		
Basic earnings per share (in RMB cents)	0.83	0.52
Diluted earnings per share (in RMB cents)	0.83	0.52
Weighted average number of shares outstanding for basic earnings per share	387,730,870	336,189,774

As at 30 June 2014 and 30 June 2013, the conversion effects of the convertible loan notes were excluded from the diluted weighted average number of ordinary shares calculation as their effects would have anti-dilutive due to its interest (net of tax) per ordinary share obtainable on conversion exceeds the Group's basic earnings per share.



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

	Group		Company	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
Net assets (RMB'000)	171,340	168,229	151,494	152,530
Net asset value per ordinary share based on the existing issued share capital as at the respective period (RMB cents)	44.19	43.39	39.07	39.34

The Group's and the Company's net assets value per ordinary share as at 30 June 2014 and 31 December 2013 were computed based on the total number of issued ordinary shares of 387,730,870.

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

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

REVIEW OF RESULTS OF OPERATIONS

Revenue / Gross profit

	HY2014		HY2013		HY-on-HY
	RMB million	%	RMB million	%	%
Domestic Sales in PRC	210.50	84	93.49	79	125
Overseas Sales	39.33	16	22.36	19	76
Commission Income	-	-	1.85	2	NM
Sales of Scrap Metal	1.76	1	0.26	<1	NM
Total	251.60	100	117.96	100	113

Domestic Sales in PRC ("Domestic sales") comprised sales of carbon steel bars and billets manufactured by the Group in PRC. Overseas sales comprised trading of steel related products in South East Asia countries. Commission income refers to commission income earned from trading of steel billets in PRC. Sales of Scrap Metal refers to sales of scrap metal from the production of steel bars.

Total revenue for the half year ended 30 June 2014 ("HY2014") was RMB251.60 million as compared to RMB117.96 million in the half year ended 30 June 2013 ("HY2013").

The increase in Domestic Sales in HY2014 as compared to HY2013 was mainly due to the inclusion of sales volume generated by the Group's subsidiary Xinghua Rongcheng post its acquisition in April 2013. Jiangyin Chengsheng had also recorded higher sales volume as compared to HY2013 as it has



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commenced selling flat steel bar which is used for construction of elevator shaft guide rail to domestic customers in HY2014.

The increase in overseas sales was mainly contributed by higher sales orders received from Singapore and Malaysia after the Group extended its marketing networks to South East Asia market in 2013.

Correspondingly, gross profit was higher at RMB19.55 million in HY2014 as compared to RMB11.07 million in HY2013. However, gross profit margin dropped by 1.6% from 9.4% in HY2013 to 7.8% in HY2014 due to softening steel prices.

Other income

The Group generated other income of RMB1.09 million in HY2014, which was mainly contributed by export and other incentives of RMB0.71 million from PRC government and incentives on Productivity and Innovation Credit Scheme of RMB0.11 million from Singapore government.

Distribution expenses

Increase in distribution expenses in HY2014 was mainly transportation expenses, which were in tandem with the increase of sales volume in HY2014.

Administrative expenses

Administrative expenses increased by RMB3.50 million from RMB5.81 million in HY2013 to RMB9.31 million in HY2014. The increase was mainly due to inclusion of administrative expenses amounting to RMB2.2 million incurred by the Group's subsidiary Xinghua Rongcheng post its acquisition in year 2013.

Depreciation and amortisation expenses

Depreciation of property, plant and equipment increased by RMB4.35 million from RMB0.31 million in HY2013 to RMB4.67 million in HY2014. The Group incurred a new amortisation of lease prepayments amounting to RMB0.25 million in HY2014. The above increases were mainly due to inclusion of depreciation and amortisation expenses of the the Group's subsidiary Xinghua Rongcheng post its acquisition in year 2013.

Finance expenses

Finance expenses increased by RMB1.54 million were mainly due to additional interest costs amounting to RMB1.03 million arising from additional bank borrowings undertaken by Xinghua Rongcheng in HY2014. The remaining finance expenses were interest expense on convertible notes.

Income tax expenses

The increase in income tax expense in HY2014 was in line with the increase in revenue and operating profit. Higher effective tax rate of 56.6% (HY2013: 59.3%) as compared to statutory tax rate in China was mainly due to operation expenses incurred in the holding company which were not tax deductible against the operating profit arising from PRC subsidiary.



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

REVIEW OF STATEMENT OF FINANCIAL POSITION

NON-CURRENT ASSETS

Non-current assets decreased by RMB0.58 million from RMB132.50 million as at 31 December 2013 to RMB131.91 million as at 30 June 2014 was mainly attributed to depreciation and amortisation amounting to RMB4.94 million charged in HY2014, and partly offset by acquisition of property, plant and equipment amounting to RMB4.36 million.

CURRENT ASSETS

Current assets increased by RMB121.23 million from RMB182.61 million as at 31 December 2013 to RMB303.84 million as at 30 June 2014. The increase mainly arises from trade and other receivables and cash at bank and in hand as follow:-

Trade and other receivables

	30.06.2014 RMB '000	31.12.2013 RMB '000
Trade and other receivables:		
Trade receivables and bill receivables	73,821	111,363
Other receivables	8,954	15,610
Prepayments	146,915	2,523
Deposits	220	406
	<u>229,910</u>	<u>129,902</u>

Trade and other receivables increased by RMB100.01 million in HY2014. The increase was mainly attributed to the increase in prepayments of RMB70.62 million and RMB67.39 million made by Jiangyin Chengsheng and Xinghua Rongcheng respectively to their suppliers, 张家港市宝峰钢铁贸易有限公司 and 兴化市荣通金属回收有限公司, to secure constant supply of raw materials such as steel billets and scrap iron at preferential prices, in order to support its business expansion strategy to supply carbon steel angle bar to new customers who are involved in the manufacturing of electrical transmission tower.

However, trade receivables and bill receivables decreased by RMB37.54 million which was mainly due to the collection from trade receivables and bill receivables upon due date.

Cash at bank and in hand

Cash at bank and in hand increased by RMB20.31 million was due to increase in cash and cash equivalents of RMB4.66 million mainly contributed by cash flows generated from financing activities and partly offset by cash flows used in operating activities and investing activities. In addition, the Group's subsidiary has pledged a deposit of RMB15 million to secure bank borrowings during HY2014.



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CURRENT LIABILITIES

Current liabilities increased by RMB116.83 million from RMB133.27 million as at 31 December 2013 to RMB250.10 million as at 30 June 2014 which was due to increase in trade and other payables and loans and borrowings as follow:-

Trade and other payables

	30.06.2014 RMB '000	31.12.2013 RMB '000
Trade and other payables:		
Trade payables and bill payables	67,489	55,299
Advance payments received from customers	27,002	2,473
Other payables	19,910	21,111
Accruals	4,869	4,729
Amount due to related parties (non-trade)	8,619	23,359
	<u>127,889</u>	<u>106,971</u>

Trade and other payable increased by RMB20.92 million from RMB106.97 million as at 31 December 2013 to RMB127.89 million as at 30 June 2014. The increase was mainly a result of an additional advance payment of RMB22.91 million received by Xinghua Rongcheng from a customer (武汉中升贸易国际有限公司) for the purchase of steel billets.

Loans and borrowings

Short-term loans and borrowings increased by RMB95.00 million which was mainly attributed to new short-term bank borrowings undertaken by Jiangyin Chengsheng for working capital purposes. The loan was used for making prepayment to its suppliers to secure steel billets at preferential prices.

NET CURRENT ASSETS

The Group had net current assets of RMB53.74 million as at 30 June 2014, as compared to net current assets of RMB49.34 million as at 31 December 2013.

TOTAL EQUITY

Total equity increased by RMB3.11 million as at 30 June 2014 to RMB171.34 million as compared to 31 December 2013 was mainly contributed by profit generated during the period, partly offset by foreign currency translation.



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REVIEW OF CONSOLIDATED STATEMENT OF CASH FLOWS

Total cash and cash equivalents as at HY2014 was RMB12.81 million which was RMB5.53 million lower as compared to the corresponding period in HY2013. Net increase in cash and cash equivalents generated in HY2014 was RMB4.66 million, and was contributed by the following:

- Operating cash flows before working capital changes was RMB13.96 million. After adjusting for the changes in working capital, the Group's net cash used in operating activities was RMB54.28 million, whereby higher investment was made on trade and other receivables (especially in prepayment) in order to support the expansion of the Group's current business operation.
- Net cash used in investing activities was RMB4.34 million was mainly attributed to the purchase of property, plant and equipment in HY2014.
- Net cash generated from financing activities was RMB63.28 million, which was contributed by the additional bank borrowings of RMB95.00 million extended to the Group's subsidiary for working capital to support the business expansion. The increase was partly offset by a repayment of non-trade advances from a related party amounting to RMB14.74 million, security deposits of RMB15 million pledged to secured bank borrowings, and interest expense of RMB1.98 million.

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

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders.

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

The outlook for the PRC steel industry is expected to remain challenging in the second half of 2014. However, the Group will continue to extend its product mix to include angle bar which is used for building of transmission tower, as well as continue to concentrate on its existing major product such as flat steel bar which is used for construction of elevator shaft guide rail in second half of 2014.

As part of the business strategy to penetrate the angle bar market, the Group's wholly-owned subsidiary, Jiangyin Chengsheng had on 6 August 2014 entered into a supply agreement with Jiangsu Jodear Power Equipment Co., Ltd, a power transmission tower manufacturer in PRC to supply 20,000 tonnes of angle bars from August 2014 to January 2015. This agreement is expected to have a positive impact on the consolidated earnings of the Group from second half of 2014 till early 2015.

In addition, the Group's subsidiary, Xinghua Rongcheng will commence its development on phase 2 continuous casting and rolling production line in second half of 2014. The development is expected to be funded by both internal and external resources.

Notwithstanding the above, the Group will also continue to use its Singapore sales office to expand its market presence to other South East Asian countries.

11. If a decision regarding dividend has been made:



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

No dividend was declared for the financial period ended 30 June 2014.

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

Not applicable

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

Not applicable. No dividend was declared for the financial period ended 30 June 2013.

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

Not applicable

(d) The date the dividend is payable.

The first and final (one tier tax exempt) dividend of 0.15 Singapore cent per share in respect of the previous financial year ended 31 December 2013 (the "FY2013 Final Dividend") was approved by the shareholders at the annual general meeting of the Company held on 28 April 2014. The Company will announce the dividend payout date in relation to the FY2013 Final Dividend in a separate announcement.

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

The Company will announce the book closure date in relation to the FY2013 Final Dividend in a separate announcement.

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

The Company has not declared dividend for the financial period ended 30 June 2014.

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

The Group has obtained a general mandate from shareholders for interested person transactions (including the Off Take Agreement) (the "General Mandate") on 28 April 2014.

Interested person transaction

Interested person transactions entered into in HY2014 were:

Name of the Interested Person	Aggregate value of all interested person transactions entered during the financial year under	Aggregate value of all interested person transactions conducted during the financial year



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	review (excluding transactions less than S\$100,000 and excluding transactions conducted under the shareholders' mandate pursuant to Rule 920 of the Catalyst Rules)	under review under shareholders' mandate pursuant to Rule 920 of the Catalyst Rules (excluding transactions less than S\$100,000)
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 General Mandate.	-	RMB 215,143
Sale of steel billets 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.	-	RMB 2,892,387
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.	RMB 1,277,863	-

Note:

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

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

The Board of Directors has confirmed that to the best of their knowledge, that nothing has come to their attention which may render the unaudited financial statements for HY2014 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Wu Dingrong
Chairman
13 August 2014

Lee Wan Sing
Executive Director