ORIENTAL GROUP LTD.
(Company Registration Number: 200401998C)
(Incorporated in the Republic of Singapore)

UNAUTHORISED TRANSACTIONS INVOLVING THE PRC SUBSIDIARIES OF THE COMPANY

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

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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.

Oriental Group Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that it has recently come to the attention of the Company that two unauthorised transactions were carried out, involving two wholly-owned subsidiaries of the Company, namely:

(a) Jiangyin Chengsheng Machinery Manufacturing Co., Ltd. ("江阴澄盛机械制造有限公司") located in the Jiangyin province of the People's Republic of China ("**JYCS**"); and

(b) Xinghua Rongcheng Precision Manufacturing Co., Ltd. ("兴化市荣澄精密铸造有限公司") located in the Xinghua province of the People's Republic of China ("**XHRC**"),

Details of the Unauthorised Transactions

The Company has learnt that on or around 11 November 2013, the common seal of JYCS was affixed onto a guarantee (the "**JYCS Guarantee**") granted in favour of China Merchants Bank Co., Limited ("招商银行股份有限公司") ("**CMB Bank**"). The JYCS Guarantee states that the guarantee was to secure a loan for the principal amount of RMB 30,000,000 granted by CMB Bank to Jiangyin Rongda Jingmao Co., Ltd ("江阴市荣达经贸有限公司") ("**JYRD**").

The Company has also learnt that on or around 10 January 2014, the common seal of XHRC affixed onto a guarantee (the "**XHRC Guarantee**") granted in favour of Industrial Bank Co., Ltd ("兴业银行股份有限公司") ("**IBC Bank**"). The XHRC Guarantee states that it was to secure a loan for the principal amount of RMB20,000,000 granted by IBC Bank to JYRD.

Under the laws of the People's Republic of China ("**PRC**"), agreements are generally executed by a company through the affixing of the common seal on the agreement and such seals are generally controlled by the legal representative of the company. On the dates of the JYCS Guarantee and the XHRC Guarantee (the "**Guarantees**"), the legal representative of XHRC was Mr Wu Dingcheng, the brother of Mr Wu Dingrong and the legal representative of JYCS was Mr Sun Lu. The current legal representatives of XHRC and JYCS are Mr Wu Dingrong and Mr Sun Lu respectively. The Non-Involved Directors (as defined herein) were not aware of the change in legal representative of XHRC in July 2015.

Mr Wu Dingrong is a Director of the Company and the Non-Executive Chairman of the Board of Directors of the Company, and Mr Sun Lu, who is the son-in-law of Mr Wu Dingrong is also an Executive Director of the Company. Mr Wu Dingrong has a deemed interest of 12.88% (comprising 67,986,667 shares) in the Company as at the date of this announcement.

There was no Board approval for the Guarantees and the other directors on the Board, namely Mr Lee Wan Sing, Mr Ong Wee Chuan, Mr Chua Hung Meng, Mr Tan Song Kwang and Mr Koh Choon Kong, (the "**Non-Involved Directors**"), had not been informed, nor was aware, of the Guarantees. Specifically, the Non-Involved Directors had not approved the use of the common seals for JYCS and XHRC in the manner set out above. **Therefore the Company considers that the provision of the Guarantees are not authorised transactions of the Group.**

Based on information available to the Non-Involved Directors, JYRD is a company incorporated in the PRC and is engaged in the business of steel trading in the PRC, and was also a former customer of the Group. JYRD is an associate of Mr Wu Dingrong as he has a direct and deemed interest of approximately 58% in the equity in JYRD.

Legal Proceedings against JYCS and XHRC

Arising from the Guarantees, CMB Bank and IBC Bank have each commenced proceedings against JYCS and XHRC on 19 November 2015 and 3 February 2015 respectively. The Company noted from notice of legal proceedings that there are other guarantors involved, who are also liable for the underlying loan secured by the Guarantees.

On 23 October 2015, IBC Bank obtained judgement from the Jiangsu Wuxi ChongAnn District court against XHRC and the other guarantors for the amount of approximately RMB 22.9 million. In connection with the claim by IBC Bank against XHRC, IBC Bank had also frozen an account of XHRC maintained with Jiangsu Xinghua Rural Commercial Bank Co., Ltd ("江苏兴化农村商业银行股份有限公司"). This bank account currently has a balance of approximately RMB 438,000.

Neither Mr Wu Dingrong nor Mr Sun Lu had previously notified the Company nor the Non-Involved Directors of the above mentioned legal proceedings.

Immediate Actions Taken by the Company

The Non-Involved Directors are gravely concerned with the unauthorised Guarantees and subsequent legal proceedings. The Non-Involved Directors have put in the following action plan:

(a) An independent committee (the "**Independent Review Committee**") has been established consisting of Mr Chua Hung Meng (Lead Independent Director), Mr Tan Song Kwang (Independent Director), Mr Lee Ong (Group Financial Controller) and Mr Lawrence Tan (Partner at Eldan Law LLP which has been engaged to advise the Company on legal matters). The tasks of the Independent Review Committee will include the following:

(i) conduct of an independent investigation into the unauthorised transactions and the legal proceedings, and preparation of a report of the findings of the investigation;

(ii) carrying out a detailed assessment of the impact of the unauthorised transactions and proceedings on the Group's legal and financial position;

(iii) taking control of and supervising the defense of the legal proceedings;

(iv) carrying out a review of the internal controls of the Group and making recommendations on improvements, if any; and

(v) considering what recourse, if any, are to be taken against Mr Wu Dingrong and Mr Sun Lu.

(b) Pending the outcome of the Independent Review Committee's findings and recommendation, Mr Wu Dingrong and Mr Sun Lu have taken an immediate leave of absence from all positions within the Group and shall have no authority in the Group in any respect, including but not limited to, the Group's daily operations nor have any involvement in the management of any company in the Group, save where permitted by the Independent Review Committee. Mr Wu Dingrong and Mr Sun Lu have also undertaken to fully cooperate with the Company on all matters relating to the JYCS Guarantee and the XHRC Guarantee.

(c) Mr Lee Wan Sing and Mr Lee Ong have been tasked to lead the management team of both JYCS and XHRC for their daily business operation and finance matters. They will also be the custodian of the legal seal representative seals on an interim basis. As of the date of this announcement, they have taken control and possession of the company seals for both JYCS and XHRC.

(d) The Company has obtained a fixed first charge over the 67,986,667 shares of the Company held by Dingji Investments Ltd. The shares of Dingji Investments Ltd are being held by Mr Sun Lu and Ms Miao Lina, Mr Wu Dingrong's daughter, on trust for Mr Wu Dingrong. The Company has in addition obtained a personal guarantee from Mr Wu Dingrong in favour of the Company, indemnifying the Company for any and all losses that the Group may suffer as a result of the Guarantees and related legal proceedings.

(e) The Company is seeking appropriate legal advice on the validity of the Guarantees and assessing its legal options accordingly.

Assessment of Impact of the Unauthorised Transactions

The Non-Involved Directors have assessed the impact to the Group as follows:

Impact to Operations

The Group currently has four main operations, namely:

(a) The sales of carbon steel bars in the PRC domestic sales, undertaken by JYCS;

(b) The production and sale of steel billets in the PRC, undertaken by XHRC;

(c) The trading of steel products in overseas (mainly in South East Asia) markets, undertaken by the Group's Singapore and Malaysian subsidiaries; and

(d) Rental income from its industrial property via the acquisition of Wan Dormitory Pte Ltd, with effect from July 2015.

Based on its assessment based on available information, the Non-Involved Directors do not expect there to be any immediate material operational impact on JYCS and XHRC, and Mr Lee Wan Sing and Mr Lee Ong will be actively managing their operations on an interim basis. As announced previously, the operations of XHRC had been halted since 2nd half of FY2014 for the construction of XHRC Phase II expansion.

The Non-Involved Directors have also assessed that there will be no material impact on the operations of the other business of the Group, which are not operating in the PRC.

Financial Impact

As at 30 June 2015, the aggregate net tangible assets of JYCS and XHRC, not taking into account the JYCS Guarantee and the XHRC Guarantee, amounts to approximately RMB 116.8 million. Given that JYCS and XHRC are not the sole guarantors for JYRD, the Company is still assessing the financial impact arising from the Guarantees on these two subsidiaries.

Based on initial assessment, any solvency concerns at JYCS and XHRC should not directly impact the Company and the other subsidiaries of the Company, as the Company has neither issued any guarantees nor assumed any contingent liabilities for the obligations of either JYCS or XHRC. Mr Wu Dingrong and Mr Sun Lu had represented that they are not aware of any further contingent liabilities that will affect the Group. The Company will be taking appropriate steps to independently ascertain this representation.

The Non-Involved Directors have evaluated all the relevant facts available to them as at the date of this announcement and are of the opinion that even in the event of any insolvency of either JYCS or XHRC, the other companies of the Group would be able to continue to meet its financial obligations as and when they fall due for the foreseeable future as the Group's (excluding JYCS or XHRC) current assets exceeds its current liabilities, and for FY2015, there was a net cash flow from the Company to JYCS and XHRC.

The Non-Interested Directors note that the JYCS Guarantee and the XHRC Guarantee were not disclosed and reflected in the financial statements of the Group for FY2013, FY2014 and HY2015. As there is uncertainty as regards the validity of the Guarantees, the Company will assess and consult its various relevant professionals if any prior year adjustments will be required in respect of the Group's audited financial statements for FY2013, FY2014 and unaudited financial results for HY2015.

Corporate Governance and Internal Controls

The Non-Involved Directors note the unauthorised Guarantees are possibly a result of management over-ride by Mr Wu Dingrong and Mr Sun Lu, who have taken a leave of absence from their respective positions in the Group. Mr Wu Dingcheng, the previous legal representative of XHRC, has since resigned as legal representative of XHRC in July 2015. Ms Zhang Minghui, the financial controller of the PRC operations of the Group at the pertinent times, has since resigned in November 2014.

The Non-Involved Directors will conduct a review of the procedures and internal controls of its PRC subsidiaries, including the use of the common seal, to determine the improvements to be made where necessary.

Other Matters

The Company continues to discuss with its Sponsor on its obligations with respect to applicable provisions of the Catalist Rules and will announce any material updates on the matter, including the findings and recommendations of the Independent Review Committee.

Shareholders and other investors are reminded to exercise caution when dealing in the Shares. In the event that Shareholders and other investors are in doubt when dealing in the Shares, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

By Order of the Board

Lee Wan Sing
Chief Executive Officer
Oriental Group Ltd.
19 January 2016