

DISCLAIMER OF AUDIT OPINION AND COMPANY UPDATES

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

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

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1. INTRODUCTION

The board of directors ("**Board**") of Oriental Group Ltd. (the "**Company**" together with its subsidiaries, the "**Group**") refers to the Company's announcements on SGXNET dated 19 January 2016, 15 March 2016, 11 May 2016, 13 June 2016, 12 July 2016 and 19 July 2016 (collectively, "**Previous Announcements**"). Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning as defined in the Previous Announcements.

2. DISCLAIMER OF AUDIT OPINION

In compliance with Rule 704(4) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalyst, the Board wishes to announce that the Company's Independent Auditors, PricewaterhouseCoopers LLP ("**Independent Auditors**") have included a disclaimer of opinion in their Independent Auditors' Report (the "**Report**") on the audited consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 December 2015 ("**FY2015**").

Copies of the aforesaid Independent Auditors' Report together with extracts of the relevant notes to the Financial Statements are annexed to this announcement.

The Board refers to the Report and wishes to provide the following comments:

(a) Irregularities in PRC and Singapore

The Board has appointed an independent reviewer ("**Independent Reviewer**") and the Special Auditor to carry out a review into the irregularities in PRC and Singapore, respectively. As at the date of this announcement, the reviews by the Independent Reviewer and the Special Auditor are still ongoing.

The Board will provide Shareholders with an update on the findings by the Independent Reviewer and the Special Auditor upon the completion of each of their reviews. The Board will review the recommendations provided by the Independent Reviewer and the Special Auditor and take the necessary actions, where possible, to address the corporate governance and internal control lapses.

(b) Going Concern Issues

The Board is actively considering the options as described in section 3 to enable the Group and Company to continue as a going concern but notes the uncertainties that may arise from such options. The Board is confident that Management will work towards restructuring the Group and as such, concurs with Management that the going concern assumptions used in the preparation of the financial statements are appropriate.

In view of the corporate governance and internal control lapses mentioned above and the hacking of the Company's server and all data (including the Company's critical financial and accounting operating files and software) being deleted, and the change of management subsequent to year-end, the Board is unable to ascertain whether the accounting and other records required by the Companies Act (the "**Act**") to be kept by the Company and its Singapore incorporated subsidiaries have been properly kept in accordance with the provisions of the Act during FY2015. Upon the completion of the review by the Special Auditor, the Board will analyse the findings set out therein and will take all such steps necessary to address any identified lapses and incorrectly stated accounting and other records.

3. BUSINESS UPDATE

The Board wishes to update that the Company has ceased its steel trading operations in the South-East-Asia since July 2016. This is because the steel trading business was loss-making with no working capital, and the Company has to reduce fixed overhead costs in light of the Group's current financial situation.

Following the cessation of steel trading operations in the South-East-Asia, the remaining businesses of the Group as at the date of this announcement comprise the following:

- (a) manufacturing, sale and trading of steel products in the PRC; and
- (b) investment holding.

In addition to the above, the Company is actively exploring various options to enable the Group and Company to continue as a going concern ("**Options**"), and will keep Shareholders updated as and when there are material developments. Such options include, *inter alia*, the following:

- (a) Disposing the Group's operations in the PRC which are loss making, have bank borrowings amounting to RMB 32,000,000 and RMB 45,000,000 that are already due in the current financial year and will be due within the next financial year respectively, and are exposed to the potential liability arising from the guarantees given to banks in relation to loans entered into by a related party amounting to RMB 50,000,000.
- (b) Negotiating with former owners of Wan Dormitory Pte. Ltd. to extend the payment deadline for the deferred consideration amounting to RMB 6,793,000 (approximately SGD 1,500,000), which will be due for payment within the next financial year.
- (c) Negotiating with the bank to extend the fixed advance facility of Wan Dormitory Pte. Ltd. amounting to RMB 22,967,000 (approximately SGD 5,000,000), which is due within the next financial year.
- (d) Disposing Wan Dormitory Pte. Ltd, which owns the investment properties, to provide immediate cash flow for the Group.

- (e) Negotiating with the holders of convertible bonds to extend the maturity tenure of the convertible bonds.
- (f) Undertaking share placement exercise(s) to raise funds from investors.

Shareholders and other investors should note that there is no assurance that the Options being explored by the Company as described in Paragraph 3 above will materialise. 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

Chua Hung Meng
Lead Independent Director
Oriental Group Ltd.

15 September 2016