



## ORIENTAL GROUP

(Incorporated in the Republic of Singapore)

Company Registration No.: 200401998C

---

### MATERIAL VARIANCES BETWEEN THE AUDITED FINANCIAL STATEMENTS AND THE UNAUDITED FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2014 ("FY2014")

---

*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.*

*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.*

*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.*

The Board of Directors (the "**Board**") of Oriental Group Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's announcement titled "Unaudited Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2014 ("FY2014")" ("**FY2014 Results Announcement**") released on 27 February 2015.

Since the release of FY2014 Results Announcement, the audit of the Company and the Group consolidated financial statements had been completed.

Pursuant to Rule 704(5) of the SGX-ST Listing Manual Section B: Rules of Catalist, the following sections present the reclassifications and subsequent adjustments made during the finalisation of the audit.



# ORIENTAL GROUP

(Incorporated in the Republic of Singapore)

Company Registration No.: 200401998C

## A. VARIANCES IN CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|                                                           | Financial Year Ended 31 December 2014 |                                |         |        |                           |
|-----------------------------------------------------------|---------------------------------------|--------------------------------|---------|--------|---------------------------|
|                                                           | As Per<br>Audited<br>Results          | As Per<br>Unaudited<br>Results | Change  | Change | Reason for<br>Differences |
|                                                           | RMB'000                               | RMB'000                        | RMB'000 | %      |                           |
| Revenue                                                   | 376,744                               | 377,405                        | (661)   | <(1)   | Note 1                    |
| Cost of sales                                             | (351,277)                             | (350,614)                      | (663)   | <1     | Note 2                    |
| <b>Gross profit</b>                                       | <b>25,467</b>                         | <b>26,791</b>                  |         |        |                           |
| Other income                                              | 2,043                                 | 2,583                          | (540)   | (21)   | Note 3                    |
| Other gains and losses                                    | 1,164                                 | -                              | 1,164   | 100    | Note 3(a)&(b)             |
| Finance income                                            | -                                     | 316                            | (316)   | (100)  | Note 3(c)                 |
| Expenses:                                                 |                                       |                                |         |        |                           |
| - Distribution expense                                    | (3,226)                               | (3,472)                        | 246     | (7)    | Note 2(b)                 |
| - Administrative expense                                  | (22,955)                              | (22,425)                       | (530)   | 2      | Immaterial                |
| - Finance expense                                         | (6,782)                               | (6,550)                        | (232)   | 4      | Immaterial                |
| - Other expense                                           | -                                     | (101)                          | 101     | (100)  | Note 4                    |
| <b>Loss before income tax</b>                             | <b>(4,289)</b>                        | <b>(2,858)</b>                 |         |        |                           |
| Income tax expense                                        | (1,972)                               | (2,072)                        | 100     | (5)    | Immaterial                |
| <b>Total loss</b>                                         | <b>(6,261)</b>                        | <b>(4,930)</b>                 |         |        |                           |
| <b>Loss attributable to:</b>                              |                                       |                                |         |        |                           |
| Owners of the Company                                     | (6,162)                               | (5,097)                        | (1,065) | 21     | Note 5                    |
| Non-controlling interests                                 | (99)                                  | 167                            | (266)   | (159)  | Note 5                    |
| <b>Loss for the year</b>                                  | <b>(6,261)</b>                        | <b>(4,930)</b>                 |         |        |                           |
| <b>Other comprehensive income/(loss) for the year</b>     |                                       |                                |         |        |                           |
| - Foreign currency translation differences                | 50                                    | (224)                          | 274     | (122)  | Note 6                    |
| <b>Total comprehensive loss for the year</b>              | <b>(6,211)</b>                        | <b>(5,154)</b>                 |         |        |                           |
| <b>Total comprehensive (loss)/income attributable to:</b> |                                       |                                |         |        |                           |
| Owners of the Company                                     | (6,141)                               | (5,334)                        | (807)   | 15     | Note 7                    |
| Non-controlling interests                                 | (70)                                  | 180                            | (250)   | (139)  | Note 7                    |
| <b>Total comprehensive loss for the year</b>              | <b>(6,211)</b>                        | <b>(5,154)</b>                 |         |        |                           |



# ORIENTAL GROUP

(Incorporated in the Republic of Singapore)

Company Registration No.: 200401998C

## B. VARIANCES IN STATEMENT OF FINANCIAL POSITION (GROUP)

|                                                        | Financial Year Ended 31 December 2014 |                          |           |        | Reason for Differences |
|--------------------------------------------------------|---------------------------------------|--------------------------|-----------|--------|------------------------|
|                                                        | As Per Audited Results                | As Per Unaudited Results | Change    | Change |                        |
|                                                        | RMB'000                               | RMB'000                  | RMB'000   | %      |                        |
| <b>Non-current assets</b>                              |                                       |                          |           |        |                        |
| Property, plant and equipment                          | 159,232                               | 111,732                  | 47,500    | 43     | Note 8(a)              |
| Prepaid lease                                          | 23,682                                | 25,229                   | (1,547)   | (6)    | Note 9                 |
| Intangible assets                                      | 9                                     | 9                        | -         | N/A    | N/A                    |
| Subsidiaries                                           | -                                     | -                        | -         | N/A    | N/A                    |
| Deferred tax assets                                    | 750                                   | 750                      | -         | N/A    | N/A                    |
| Other non-current assets                               | 57,017                                | -                        | 57,017    | 100    | Note 8(b) & 9          |
|                                                        | <u>240,690</u>                        | <u>137,720</u>           |           |        |                        |
| <b>Current assets</b>                                  |                                       |                          |           |        |                        |
| Inventories                                            | 24,452                                | 24,451                   | 1         | <1     | Immaterial             |
| Trade and other receivables                            | 35,729                                | 140,788                  | (105,059) | (75)   | Note 8                 |
| Cash and cash equivalents                              | 5,444                                 | 4,141                    | 1,303     | 31     | Note 8(c)              |
|                                                        | <u>65,625</u>                         | <u>169,380</u>           |           |        |                        |
| <b>Current liabilities</b>                             |                                       |                          |           |        |                        |
| Trade and other payables                               | 59,274                                | 59,002                   | 272       | <1     | Immaterial             |
| Borrowings                                             | 86,964                                | -                        | 86,964    | 100    | Note 10                |
| Other borrowings                                       | -                                     | 8,212                    | (8,212)   | (100)  | Note 10                |
| Convertible notes                                      | -                                     | 13,752                   | (13,752)  | (100)  | Note 10                |
| Bank borrowings                                        | -                                     | 65,000                   | (65,000)  | (100)  | Note 10                |
| Current tax payable                                    | 796                                   | 796                      | -         | N/A    | N/A                    |
|                                                        | <u>147,034</u>                        | <u>146,762</u>           |           |        |                        |
| <b>Net current (liabilities)/assets</b>                | <b>(81,409)</b>                       | <b>22,618</b>            |           |        |                        |
| <b>Non-current liability</b>                           |                                       |                          |           |        |                        |
| Convertible notes                                      | -                                     | -                        | -         | N/A    | N/A                    |
| <b>Net assets</b>                                      | <b>159,281</b>                        | <b>160,338</b>           |           |        |                        |
| <b>Capital, reserves and non-controlling interests</b> |                                       |                          |           |        |                        |
| Share capital                                          | 179,491                               | 179,491                  | -         | N/A    | N/A                    |
| Reserves                                               | (19,644)                              | (18,837)                 | (807)     | 4      | Note 7                 |
| Equity attributable to owners of the Company           | 159,847                               | 160,654                  |           |        |                        |
| Non-controlling interests                              | (566)                                 | (316)                    | (250)     | 79     | Note 11                |
| <b>Total equity</b>                                    | <b>159,281</b>                        | <b>160,338</b>           |           |        |                        |



# ORIENTAL GROUP

(Incorporated in the Republic of Singapore)

Company Registration No.: 200401998C

## C. VARIANCES IN CONSOLIDATED STATEMENT OF CASH FLOWS (GROUP)

|                                                            | Financial Year Ended 31 December 2014 |                          |           |        | Reason for Differences |
|------------------------------------------------------------|---------------------------------------|--------------------------|-----------|--------|------------------------|
|                                                            | As Per Audited Results                | As Per Unaudited Results | Change    | Change |                        |
|                                                            | RMB'000                               | RMB'000                  | RMB'000   | %      |                        |
| <b><u>Cash flows from operating activities</u></b>         |                                       |                          |           |        |                        |
| Loss before income tax                                     | (4,289)                               | (2,858)                  | (1,431)   | 50     | Note 5                 |
| Adjustments for :                                          |                                       |                          |           |        |                        |
| Amortisation of lease prepayments                          | 603                                   | 603                      | -         | N/A    | N/A                    |
| Amortisation of intangible asset                           | 35                                    | 35                       | -         | N/A    | N/A                    |
| Depreciation of property, plant and equipment              | 9,642                                 | 9,642                    | -         | N/A    | N/A                    |
| Gain on disposal of subsidiary                             | (1,134)                               | (1,134)                  | -         | N/A    | N/A                    |
| Gain on disposal of property, plant, and equipment         | (5)                                   | (5)                      | -         | N/A    | N/A                    |
| Write down on inventories                                  | 1,693                                 | 1,693                    | -         | N/A    | N/A                    |
| Interest income                                            | (316)                                 | (316)                    | -         | N/A    | N/A                    |
| Interest expense                                           | 6,782                                 | 6,673                    | 109       | 2      | Immaterial             |
| Unrealised foreign exchange gain                           | (25)                                  | (123)                    | 98        | (80)   | Note 12                |
|                                                            | <b>12,986</b>                         | <b>14,210</b>            |           |        |                        |
| Changes in:                                                |                                       |                          |           |        |                        |
| - inventories                                              | 9,943                                 | 9,944                    | (1)       | <(1)   | Immaterial             |
| - prepayment for purchase of raw materials                 | -                                     | (40,000)                 | 40,000    | (100)  | Note 8(a) & 8(b)       |
| - trade and other receivables                              | 93,630                                | 102,867                  | (9,237)   | (9)    | Note 8(a) & 8(b)       |
| - trade and other payables                                 | (47,706)                              | (50,879)                 | 3,173     | (6)    | Note 13                |
| <b>Cash generated provided by operations</b>               | <b>68,853</b>                         | <b>36,142</b>            |           |        |                        |
| Income taxes paid                                          | (5,390)                               | (5,125)                  | (265)     | 5      | Immaterial             |
| <b>Net cash generated provided by operating activities</b> | <b>63,463</b>                         | <b>31,017</b>            |           |        |                        |
| <b><u>Cash flows from investing activities</u></b>         |                                       |                          |           |        |                        |
| Disposal of subsidiary, net of cash                        | 1,500                                 | 1,500                    | -         | N/A    | N/A                    |
| Interest received                                          | 316                                   | 316                      | -         | N/A    | N/A                    |
| Prepayment for purchase of property, plant and equipment   | -                                     | (72,070)                 | 72,070    | (100)  | Note 8(a) & 8(b)       |
| Proceeds from disposal of property, plant and equipment    | 48                                    | 49                       | (1)       | (2)    | Immaterial             |
| Purchase of prepaid lease                                  | (1,000)                               | (1,000)                  | -         | N/A    | N/A                    |
| Purchase of property, plant and equipment                  | (116,279)                             | (13,308)                 | (102,971) | 774    | Note 8(a) & 8(b)       |
| <b>Net cash used in investing activities</b>               | <b>(115,415)</b>                      | <b>(84,513)</b>          |           |        |                        |



# ORIENTAL GROUP

(Incorporated in the Republic of Singapore)

Company Registration No.: 200401998C

## Financial Year Ended 31 December 2014

|                                                     | As Per<br>Audited<br>Results<br>RMB'000 | As Per<br>Unaudite<br>d Results<br>RMB'000 | Change<br>RMB'000 | Change<br>% | Reason for<br>Differences |
|-----------------------------------------------------|-----------------------------------------|--------------------------------------------|-------------------|-------------|---------------------------|
| <b><u>Cash flows from financing activities</u></b>  |                                         |                                            |                   |             |                           |
| Amount owing to director (non-trade)                | 235                                     | 235                                        | -                 | N/A         | N/A                       |
| Decrease/(increase) in bank deposits pledged        | 7,038                                   | (2,000)                                    | 9,038             | 452         | Note 14(b)                |
| Dividend paid to equity holders of the company      | (2,579)                                 | (2,579)                                    | -                 | N/A         | N/A                       |
| Interest paid                                       | (6,355)                                 | (5,953)                                    | (402)             | 7           | Immaterial                |
| Proceeds from bank borrowings                       | 125,000                                 | 119,000                                    | 6,000             | 5           | Note 15                   |
| Proceeds from third party borrowings                | 8,212                                   | 8,212                                      | -                 | N/A         | N/A                       |
| Repayment of bank borrowings                        | (83,992)                                | (77,992)                                   | (6,000)           | 8           | Note 15                   |
| <b>Net cash provided by financing activities</b>    | <b>47,559</b>                           | <b>38,923</b>                              |                   |             |                           |
| <b>Net decrease in cash and cash equivalents</b>    | <b>(4,393)</b>                          | <b>(14,573)</b>                            | <b>10,180</b>     | <b>(70)</b> | <b>Note 8(c)&amp;14</b>   |
| Effect of exchange rate fluctuation                 | 255                                     | 94                                         | 161               | 171         | Note 6                    |
| Cash and cash equivalents at beginning of the year  | 7,582                                   | 16,620                                     | (9,038)           | (54)        | Note 14(a)                |
| <b>Cash and cash equivalents at end of the year</b> | <b>3,444</b>                            | <b>2,141</b>                               |                   |             |                           |



## ORIENTAL GROUP

(Incorporated in the Republic of Singapore)

Company Registration No.: 200401998C

### Explanation for material variances

**Note 1:** The variance was due to audit adjustments posted on the following:

|                                                                             | <u>RMB'000</u> |
|-----------------------------------------------------------------------------|----------------|
| a. Elimination of inter-company sales not recorded previously               | (1,154)        |
| b. Trading sales of steel in a subsidiary's account not recorded previously | 493            |
|                                                                             | <u>(661)</u>   |

**Note 2:** The variance was due to audit adjustments posted on the following:-

|                                                                                                             | <u>RMB'000</u> |
|-------------------------------------------------------------------------------------------------------------|----------------|
| a. Cost of sales in the Company's and subsidiary's accounts not recorded previously                         | (1,471)        |
| b. Reclassification of purchase-related cost from 'distribution expense' account to 'cost of sales' account | (246)          |
| c. Elimination of inter-company purchases not recorded previously                                           | 1,154          |
| d. Other adjustments that increase "cost of sales"                                                          | (100)          |
|                                                                                                             | <u>(663)</u>   |

**Note 3:** The variance was due to audit adjustments posted on the following:-

|                                                                                                                                         | <u>RMB'000</u> |
|-----------------------------------------------------------------------------------------------------------------------------------------|----------------|
| a. Reclassification of gain on disposal of subsidiary from 'other income' account to 'other gain and losses' account                    | (1,134)        |
| b. Reclassification of gain on disposal of property, plant and machinery from 'other income' account to 'other gain and losses' account | (5)            |
| c. Reclassification of interest income from 'finance income' account to 'other income' account                                          | 316            |
| d. Reclassification of government grant from 'administrative expense' account to 'other income' account                                 | 187            |
| e. Other adjustments that increase "other income"                                                                                       | 96             |
|                                                                                                                                         | <u>(540)</u>   |

**Note 4:** The variance was due to re-grouping of the entire amount in 'other expense' account into 'administrative expense' account to simplify the presentation of Consolidated Statement of Comprehensive Income.

**Note 5:** Variance as a result of net effects of Notes 1 to 4 above.

**Note 6:** The variance was due to subsequent audit adjustments posted on subsidiaries' accounts denominated in functional currency of SGD, MYR and USD. Adjusted balance sheets are re-translated into RMB for consolidation purpose.

**Note 7:** Variance as a result of net effects of Notes 1 to 4 and Note 6 above.



## ORIENTAL GROUP

(Incorporated in the Republic of Singapore)

Company Registration No.: 200401998C

**Note 8:** The variance was due to audit adjustments posted on the following:-

|                                                                                                                                                                                                         | <u>RMB'000</u>   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| a. Reclassification of progressive payments made to a non-related party for additions of capital work-in-progress from 'trade and other receivables' account to 'property, plant and equipment' account | (47,500)         |
| b. Reclassification of prepayments made to a non-related party for purchases of machinery from 'trade and other receivables' account to 'other non-current assets' account                              | (55,470)         |
| c. Repayments of trade receivables not recorded previously                                                                                                                                              | (1,303)          |
| d. Prepaid cost of sales incurred but not charged to cost of sales as at year end                                                                                                                       | (535)            |
| e. Reclassification of 'other receivables' outstanding balances to offset against 'other payables' outstanding balances                                                                                 | (445)            |
| f. Other adjustments that increase "trade and other receivables"                                                                                                                                        | 194              |
|                                                                                                                                                                                                         | <u>(105,059)</u> |

**Note 9:** The variance was due to audit reclassification of the Group's land use rights from 'prepaid lease' account to 'other non-current assets' as the Group has not received the title certificates of the land use rights from the local government.

**Note 10:** The variance was due to re-grouping of 'other borrowings', 'convertible notes' and 'bank borrowings' balances into a single caption account, namely 'borrowings' in order to simplify the presentation of Statement of Financial Position.

**Note 11:** The variance was due to audit adjustment posted to account for additional losses of RMB574,000 incurred by a Group's subsidiary due to the adjustments to costs of sales in note 2(a), whereby non-controlling interest has 45% interest in the subsidiary.

**Note 12:** The variance was due to audit adjustment posted for unrealised exchange differences arise from translation of trade payable balances denominated in foreign currency not recorded previously.

**Note 13:** The variance was due to reclassification to trade and other payables.

**Note 14:** The variance was due to:

|                                                                                                                                                                                                                                                                                                                                                                     | <u>RMB'000</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| a. The 'cash and cash equivalents at beginning of the year' of RMB 16,620,000 stated in the FY2014 Results Announcement had included bank deposits pledged of RMB 9,038,000 in securing the borrowings in FY2013. The deposits pledged are excluded in the 'cash and cash equivalents at beginning of the year' for clearer presentation of Statement of Cash Flow. | (9,038)        |
| b. Movement in deposits pledged due to the change in note 14(a).                                                                                                                                                                                                                                                                                                    | 9,038          |
|                                                                                                                                                                                                                                                                                                                                                                     | <u>Nil</u>     |



## **ORIENTAL GROUP**

(Incorporated in the Republic of Singapore)

Company Registration No.: 200401998C

**Note 15:** The variance was due to a proceeds from bank borrowings of RMB6,000,000 which received and repaid in FY2014 was presented at net basis in FY2014 Results Announcement, now being segregated for clearer presentation purpose.

**BY ORDER OF THE BOARD**

**Lee Wan Sing**  
**Group CEO**  
**13 April 2015**