

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

**MATERIAL VARIANCES BETWEEN THE PUBLISHED FINANCIAL STATEMENTS AND THE
UNAUDITED FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2015
("FY2015")**

*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.

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 ("**Board**") of Oriental Group Ltd. (the "**Company**" together with its subsidiaries, the "**Group**") refers to the Company's announcement on SGX-NET dated 29 February 2016 in relation to the unaudited financial statements for FY2015 ("**Preliminary Results**"). Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning as defined in the Preliminary Results.

The Board wishes to highlight that there are material variances between the Preliminary Results and the published financial statements for FY2015 ("**Published Financial Statements**") despatched to shareholders with the Annual Report of the Company.

A comparison of the Published Financial Statements and the Preliminary Results is set out in Appendix A.

BY ORDER OF THE BOARD

Chua Hung Meng
Lead Independent Director
Oriental Group Ltd.

15 September 2016

Appendix A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	<u>Group</u> Year ended 31 December		Variances	
		2015 Published Financial Statements	2015 Preliminary Results		
		RMB'000	RMB'000	RMB'000	%
Revenue		169,752	169,879	(127)	0%
Cost of sales		(172,748)	(169,840)	(2,908)	2%
Gross (loss)/profit		(2,996)	39	(3,035)	7782%
Other income		962	907	55	6%
Other losses	1	(1,442)	(3,798)	2,356	-62%
Expenses					
- Distribution	2	(2,995)	(4,943)	1,948	-39%
- Administrative	3	(71,059)	(29,016)	(42,043)	145%
- Finance	4	(9,489)	(6,930)	(2,559)	37%
Loss before income tax		(87,019)	(43,741)	(43,278)	99%
Income tax expense	5	(1,803)	(1,072)	(731)	68%
Total loss		(88,822)	(44,813)	(44,009)	98%
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences arising from consolidation		1,228	794	434	55%
Other comprehensive income, net of tax		1,228	794	434	55%
Total comprehensive loss		(87,594)	(44,019)	(43,575)	99%
Loss attributable to:					
Equity holders of the Company		(88,303)	(44,813)	(43,490)	97%
Non-controlling interests		(519)	-	(519)	100%
		(88,822)	(44,813)	(44,009)	98%
Total comprehensive loss attributable to:					
Equity holders of the Company		(87,146)	(44,019)	(43,127)	98%
Non-controlling interests		(448)	-	(448)	100%
		(87,594)	(44,019)	(43,575)	99%
Basic and diluted loss per share (RMB cents)		(20.90)	(8.34)		

Explanatory Notes on Material Variances of Consolidated Statement of Comprehensive Income

1. Other losses
Decrease in other losses was mainly due to the reclassification of approximately RMB2.7 million to administrative expenses, which relates to the impairment loss for property, plant and equipment owned by Jiangyin Chengsheng Machinery Manufacturing Co., Ltd ("JYCS").
2. Distribution expenses
Decrease in distribution expenses was mainly due to the reclassification of freight charge and other related shipping costs amounting to approximately RMB2.0 million to cost of sales.
3. Administrative expenses
Increase in administrative expenses was mainly due to the following:
 - (a) Reclassification of impairment loss for property, plant and equipment of approximately RMB2.7 million from other losses to administrative expenses.
 - (b) Additional provision made on the impairment of trade and other receivables, and property, plant and equipment amounting to RMB37.6 million.
 - (c) Under-accrual of employee compensation of approximately RMB1.0 million.
4. Finance expenses
Increase was mainly due to under-accrual of convertible loan note interests for August to December 2015.
5. Income tax expense
Increase was mainly due to the reversal of deferred income tax assets recognised in China operations in 2014.

STATEMENT OF FINANCIAL POSITION

	Note	Group		Variances	
		31.12.2015 Published Financial Statements	31.12.2015 Preliminary Results		
		RMB'000	RMB'000	RMB'000	%
Non-current assets					
Investment property		133,211	131,341	1,870	1%
Prepaid lease		23,128	23,128	-	0%
Property, plant and equipment	1	190,399	204,310	(13,911)	-7%
Intangible assets	2	1,603	170	1,433	843%
Deferred income tax assets	3	-	778	(778)	-100%
Other non-current assets		1,547	1,547	-	0%
Goodwill on consolidation	2	-	1,133	(1,133)	-100%
		<u>349,888</u>	<u>362,407</u>	(12,519)	-3%
Current assets					
Cash and cash equivalents	4	12,667	9,502	3,165	33%
Restricted cash	5	489	-	489	100%
Trade and other receivables	6	39,145	61,376	(22,231)	-36%
Inventories	7	11,449	10,480	969	9%
		<u>63,750</u>	<u>81,358</u>	(17,608)	-22%
Current liabilities					
Trade and other payables	8	90,458	74,981	15,477	21%
Current tax payable	9	1,504	3,504	(2,000)	-57%
Borrowings		104,156	104,211	(55)	0%
		<u>196,118</u>	<u>182,696</u>	13,422	7%
Net current liabilities		(132,368)	(101,338)	(31,030)	31%
Non-current liabilities					
Borrowings	10	72,133	51,932	20,201	39%
Convertible bonds	10	-	22,725	(22,725)	-100%
		<u>72,133</u>	<u>74,657</u>		
Net assets		<u>145,387</u>	<u>186,412</u>	(41,025)	-22%
Equity					
Capital, reserves attributable to equity holders of the Company					
Share capital		250,995	250,641	354	0%
Other reserves	11	8,052	5,493	2,559	47%
Accumulated losses		(112,646)	(69,156)	(43,490)	63%
Total equity attributable to owner's equity		<u>146,401</u>	<u>186,978</u>	(40,577)	-22%
Non-controlling interests	12	(1,014)	(566)	(448)	79%
Total equity		<u>145,387</u>	<u>186,412</u>	(41,025)	-22%

Explanatory Notes on Material Variances on Consolidated Statement of Financial Position

1. Plant, property and equipment ("PPE")
Decrease in PPE was mainly due to additional impairment loss recognised for JYCS's PPE amounting to RMB13.8 million.
2. Intangible assets
Increase in intangible assets was mainly due to the reclassification of goodwill on consolidation arising from the acquisition of Wan Dormitory Pte. Ltd. in 2015 to intangible assets.
3. Deferred income tax assets
Decrease in income tax assets was due to the reversal of deferred income tax assets as there is no reasonable certainty future taxable profits will be available to utilise against these deferred income tax assets.
4. Cash and cash equivalents
Increase in cash and cash equivalents was mainly due to the reversal of unrepresented cheques issued by the Group, as these cheques were not released to creditors as at 31 December 2015.
5. Restricted cash
Increase in restricted cash was mainly due to the reclassification from cash and cash equivalents, as there was a frozen bank account under Xinghua Rongcheng Precision Manufacturing Co., Ltd., due to the legal proceeding on the unauthorised financial guarantees.
6. Trade and other receivables
Decrease in trade and other receivables was mainly due to the following:
 - (i) Provision of additional allowances for doubtful debt of approximately RMB26.3 million;
 - (ii) Reclassification of RMB0.7 million from prepayment to inventories, in which relating to the purchase of scaffolding pipes from GL Engineering Pte Ltd; which offset by
 - (iii) Adjustment of advances of RMB3.4 million received which was previously recorded under trade and other receivables at year end.
7. Inventories
Increase in inventories was mainly due to the reclassification of RMB0.7 million from prepayment to inventories, in which relating to the purchase of scaffolding pipes from GL Engineering Pte Ltd.
8. Trade and other payables
Increase in trade and other payables was mainly due to the following:
 - (i) Reversal of unrepresented cheques of approximately RMB3.7 million.
 - (ii) Adjustment of advances of RMB3.4 million received which was previously recorded under trade and other receivables at year end.
 - (iii) Reclassification of value added tax payable of approximately RMB2.4 million from current tax payables.
 - (iv) Under-accrual of convertible loan notes interests for August to December 2015 of approximately RMB2.6 million.
 - (v) Under-accrual of employee compensation of approximately RMB1.0 million.
 - (vi) Reversal of FY2014 audit adjustment of approximately RMB1.2 million wrongly taken up in trade and other payables.

(vii) Under-recognition of payable balance of RMB0.3 million due to foreign exchange translation.

9. Current tax payable

Decrease in current tax payable was mainly due to the reclassification of value added tax payable of approximately RMB2.4 million to other payables.

10. Borrowings and Convertible bonds

Increase in borrowings was mainly due to the following:

- (i) Reclassification of convertible loan notes to borrowings; offset by
- (ii) Over-recognition of convertible loan notes of RMB3.4 million.

11. Other reserves

Increase in other reserves was mainly due to the under-recognition of equity components in convertible bonds.

12. Non-controlling interests ("NCI")

Increase was due to under-recognition of share of losses by NCI.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Group			
		Year ended 31 December			
		2015	2015		
	Note	Published Financial Statements	Preliminary Results	Variance	
		RMB'000	RMB'000	RMB'000	%
<u>Cash flows from operating activities</u>					
Total loss		(88,822)	(44,813)	(44,009)	98%
Adjustments for:					
Income tax expense		1,803	1,072	731	68%
- Depreciation of property, plant and equipment		11,558	10,302	1,256	12%
- Amortisation of prepaid lease		603	554	49	9%
- Amortisation of intangible assets		7	8	(1)	-13%
- Gain on disposal of property, plant and equipment		5	-	5	100%
- Write down on inventories		756	-	756	100%
- Interest income		(138)	(138)	-	0%
- Interest expense		9,489	7,067	2,422	34%
- Impairment of loss for property, plant and equipment		14,037	2,684	11,353	423%
- Impairment loss for inventories		-	805	(805)	-100%
- Impairment loss for receivables		26,302	-	26,302	100%
- Unrealised foreign exchange loss		785	-	785	100%
		(23,615)	(22,459)	(1,156)	5%
Change in working capital, net of effects from					
Inventories		12,247	13,167	(920)	-7%
Trade and other receivables		(21,357)	(23,397)	2,040	-9%
Trade and other payables		21,164	14,477	6,687	46%
Cash used in operations		(11,561)	(18,212)	6,651	-37%
Income taxes paid		(630)	(5,499)	4,869	-89%
Net cash used in operating activities	1	(12,191)	(23,711)	11,520	-49%
<u>Cash flows from investing activities</u>					
Interest received		138	138	-	0%
Acquisition of subsidiary, net of cash		2,279	1,645	634	39%
Proceeds from disposal of property, plant and equipment		15	-	15	100%
Purchase of prepaid lease		(49)	-	(49)	100%
Purchase of property, plant and equipment		(1,376)	(2,594)	1,218	-47%
Purchase of intangible assets		(169)	(169)	-	0%
Net cash generated from/(used in) investing activities	2	838	(980)	1,818	-186%

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

Proceeds from issuance of convertible loan notes	18,479	14,513	3,966	27%	
Repayment of convertible loan notes upon maturity	(13,661)	(13,752)	91	-1%	
Repayment of other borrowings	(4,651)	-	(4,651)	100%	
Repayment of amount owing to a Director	(235)	-	(235)	100%	
Proceeds from issuance of share capital	16,099	22,645	(6,546)	-29%	
Proceeds from bank borrowings	47,000	12,410	34,590	279%	
Repayment of bank borrowings	(35,703)	-	(35,703)	100%	
Increase in bank deposits pledged	(1,245)	(2,160)	915	-42%	
Dividend paid to equity holders of the company	(158)	-	(158)	100%	
Interest paid	(8,156)	(7,067)	(1,089)	15%	
Net cash generated from financing activities	3	17,769	26,589	(8,820)	-33%
Net increase in cash and cash equivalents		6,416	1,898	4,518	238%
Cash and cash equivalents					
Beginning of the year		3,444	3,444	-	0%
Effect of currency translation on cash and cash equivalents		51	-	51	100%
End of the year		9,911	5,342	4,569	86%

Explanatory Notes on Material Variance of Consolidated Statement of Cash Flows

1. Cash Flows used in Operating Activities

The changes were mainly due to the following:

- (i) Adjustments made on the operating activities and the changes in working capital of approximately RMB6.7 million; and
- (ii) Adjustments made on the income taxes payment of approximately RMB4.9 million.

2. Cash Flows from Investing Activities

The changes were mainly due to the following:

- (i) Adjustments made on the acquisition of subsidiary of approximately RMB0.6 million; and
- (ii) Adjustments made on the purchase of property, plant and equipment of approximately RMB1.2 million.

3. Cash Flows from Financing Activities

The changes were mainly due to the following:

- (i) Adjustments made on the proceeds from issuance of share capital of approximately RMB6.5 million;
- (ii) Adjustments made on the interest paid of approximately RMB1.0 million; and
- (iii) Adjustments made on the proceeds from bank borrowings, which resulted to a net cash outflow of RMB1.1 million.