



ORIENTAL GROUP

(Incorporated in the Republic of Singapore)

Company Registration No.: 200401998C

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT 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 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.

Important Note:

The Board of Directors refers to the announcement made on 19 January 2016 in relating to certain unauthorised transactions involving the PRC Subsidiaries of the Company. At the date of this announcement of the unaudited financial statements of the Group for FY2015 ("FY2015 Unaudited Results"), the investigation by the Independent Review Committee is still in progress and the Company's auditors have not substantially completed their audit of Group's financial statements. As such, the financial impact, if any, from the unauthorised transactions have not been considered or reflected in this FY2015 Unaudited Results.

The Independent Review Committee and management are working expeditiously on the above matter and will provide updates to shareholders as and when there are material developments on this matter. The Board of Directors of the Company wishes to advise the shareholders and investors of the Company to exercise caution when dealing in the shares of the Company. In the event of any doubt, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.



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PART I: INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3) AND FULL YEAR RESULTS

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 Year ended 31 December		Increase / (Decrease)
	2015 RMB'000	2014 RMB'000	%
Revenue	169,879	376,744	(55)
Cost of sales	(169,840)	(351,277)	(52)
Gross profit	39	25,467	NM
Other income	907	2,043	NM
Other gain/(loss)	(3,798)	1,164	NM
Expenses - Distribution	(4,943)	(3,226)	53
- Administrative	(29,016)	(22,955)	26
Results from operating activities	(36,811)	2,493	NM
Finance expense	(6,930)	(6,782)	2
Loss before income tax	(43,741)	(4,289)	NM
Income tax expense	(1,072)	(1,972)	(46)
Total loss	(44,813)	(6,261)	NM
Other comprehensive income:			
Items that may be reclassified subsequent to profit or loss:			
Currency translation differences arising from consolidation	794	50	
Other comprehensive income, net of tax	794	50	
Total comprehensive income, net of tax	(44,019)	(6,211)	
Loss attributable to:			
Owners of the Company	(44,813)	(6,162)	NM
Non-controlling interests	-	(99)	NM
	(44,813)	(6,261)	NM
Total comprehensive income attributable to:			
Owners of the Company	(44,019)	(6,141)	NM
Non-controlling interests	-	(70)	NM
Total comprehensive income for the year	(44,019)	(6,211)	NM

NM: Not Meaningful



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

Net loss for the year is arrived at after charging/(crediting) the following items:

	Group	
	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Amortisation of lease prepayments and intangible assets	562	638
Directors' remuneration	1,536	1,369
Directors' fees	778	765
Depreciation of property, plant and equipment	10,302	9,642
Foreign exchange (gain)/loss, net	1,114	(25)
Interest expense	6,930	6,782
Impairment loss on inventories	805	1,693
Impairment loss on plant and equipment	2,684	-
Operating lease expense	1,713	1,861
Gain on disposal of subsidiary	-	(1,134)
Government incentives	(150)	(707)
Sale of production slag	-	(841)



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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

STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	204,310	159,232	3,012	2,651
Investment property	131,341	-	-	-
Prepaid lease	23,128	23,682	-	-
Intangible assets	170	9	169	-
Investment in subsidiaries	-	-	57,564	1
Goodwill on consolidation	1,133	-	-	-
Other non-current assets	1,547	57,017	-	-
Deferred income tax assets	778	750	-	-
	362,407	240,690	60,745	2,652
Current assets				
Inventories	10,480	24,452	3,159	219
Trade and other receivables	61,376	35,729	176,675	163,429
Cash and cash equivalents	9,502	5,444	4,239	1,500
	81,358	65,625	184,073	165,148
Current liabilities				
Trade and other payables	74,981	59,274	33,898	17,900
Borrowings	104,211	86,964	-	17,271
Current tax payable	3,504	796	-	-
	182,696	147,034	33,898	35,171
Net current assets/(liabilities)	(101,338)	(81,409)	150,175	129,977
Non-current liabilities				
Convertible notes	22,725	-	22,725	-
Bank borrowings	51,932	-	-	-
	74,657	-	22,725	-
Net assets	186,412	159,281	188,195	132,629
Capital, reserves and non-controlling interests				
Share capital	250,641	179,491	250,641	179,491
Accumulated losses	(69,156)	(24,343)	(52,019)	(38,728)
Other reserves	5,493	4,699	(10,427)	(8,134)
	186,978	159,847	188,195	132,629
Equity attributable to owners of the Company	186,978	159,847	188,195	132,629
Non-controlling interests	(566)	(566)	-	-
Total equity	186,412	159,281	188,195	132,629



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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 31/12/2015		As at 31/12/2014	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
104,211	Nil	65,000	21,964

Amount repayable after one year:

As at 31/12/2015		As at 31/12/2014	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
51,932	22,725	Nil	Nil

Explanatory notes on Loans and Borrowings:

Secured loans and borrowings of RMB156.14 million comprises the following:

1. Bank loan I amounting to RMB20 million was secured by legal charge over land of Jiangyin Chengsheng Engineering Co., Ltd (江阴澄盛机械制造有限公司)("JYCS") and corporate guarantee from Xinghua Rongcheng Precision Manufacturing Co., Ltd (兴化市荣澄精密铸造有限公司)("XHRC"), where both are wholly-owned subsidiaries of the Group in PRC. Average interest rate for bank loan I during the financial year was approximately 6.0% 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, Wu Dingrong and a corporate guarantee by a related party, Jiangyin Jincheng Steel Co., Ltd ('江阴锦澄钢铁有限公司') ("JYJS") (an associated company of Wu Dingrong). Average interest rate for bank loan II during the financial year was approximately 8.4% per annum.
3. Bank loan III amounting to RMB10 million was secured by legal charge over plant and machinery of XHRC. Average interest rate for bank loan III during the financial year was approximately 8.4% per annum.
4. Bank loan IV amounting to RMB12 million was secured by legal charge over land of XHRC. Average interest rate for bank loan III during the financial year was approximately 8.4% per annum.
5. Bank loan V amounting to RMB20 million was secured by corporate guarantee from JYCS and JYJS. Average interest rate for bank loan IV during the financial year was approximately 8.4% per annum.
6. Bank loan VI comprise of term loan and revolving loan amounting to RMB56.18 million and RMB22.96 million respectively. These bank facilities were secured by a legal mortgage on investment property of Wan Dormitory Pte Ltd ("WD"), a wholly owned subsidiary of the Company, personal guarantee by the directors of WD, corporate guarantee by the Group and assignment of monthly rental proceed of the mortgaged property. The average interest rate bank loan VI during the financial year was approximately 1.7% per annum.



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Unsecured loans and borrowings of RMB22.73 million comprise the following:

The unsecured convertible notes amounting to SGD5,500,000 (equivalent to approximately RMB22.73 million) issued on 24 February 2015 and due on 23 February 2018 bear an interest rate of 8% per annum. The notes are convertible into new ordinary shares in the capital of the Company. The terms of conversion 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\$0.13 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\$0.14 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\$0.15 per share;
- (d) Where the conversion right is exercised on or 2nd day following the expiration of the 36th month following the subscription date, the conversion price of S\$0.16 per share; and
- (e) the conversion right shall lapse on the expiration of the 37th months following the subscription date.



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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Group Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Cash flows from operating activities		
Total loss	(44,813)	(6,261)
Adjustments for :		
Income tax expense	1,072	1,972
Amortisation of lease prepayments	554	603
Amortisation of intangible asset	8	35
Depreciation of property, plant and equipment	10,302	9,642
Gain on disposal of subsidiary	-	(1,134)
Gain on disposal of property, plant, and equipment	-	(5)
Impairment loss on property, plant, and equipment	2,684	-
Impairment loss on inventories	805	1,693
Interest income	(138)	(316)
Interest expense	7,067	6,782
Unrealised foreign exchange gain	-	(25)
	(22,459)	12,986
Changes in:		
- inventories	13,167	9,943
- trade and other receivables	(23,397)	93,630
- trade and other payables	14,477	(47,706)
Cash used in operations	(18,212)	68,853
Income taxes paid	(5,499)	(5,390)
Net cash generated (used in)/ from operating activities	(23,711)	63,463
Cash flows from investing activities		
Disposal of subsidiary, net of cash	-	1,500
Acquisition of subsidiary, net of cash	1,645	-
Interest received	138	316
Proceeds from disposal of property, plant and equipment	-	48
Purchase of intangible asset	(169)	-
Purchase of prepaid lease	-	(1,000)
Purchase of property, plant and equipment	(2,594)	(116,279)
Net cash used in investing activities	(980)	(115,415)



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CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Group	
	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Cash flows from financing activities		
Amount owing to director (non-trade)	-	235
Decrease/ (Increase) in bank deposits pledged (Note 1)	(2,160)	7,038
Dividend paid to equity holders of the company	-	(2,579)
Interest paid	(7,067)	(6,355)
Proceeds from bank borrowings	12,410	125,000
Proceeds from issue of share capital	22,645	-
Proceeds from third party borrowings	-	8,212
Proceeds from issue of convertible loans	14,513	-
Repayment of convertible loans	(13,752)	-
Repayment of bank borrowings	-	(83,992)
Net cash from financing activities	26,589	47,559
Net (decrease)/increase in cash and cash equivalents	(1,898)	(4,393)
Effect of exchange rate fluctuation		255
Cash and cash equivalents at beginning of the year	3,444	7,582
Cash and cash equivalents at end of the year (Note 1)	5,342	3,444

Note 1 – Cash and cash equivalents:

	2015	2014
	RMB'000	RMB'000
Cash and cash equivalents	9,502	5,444
Less: Deposit pledged	(4,160)	(2,000)
Cash and cash equivalents in statement of cashflows	5,342	3,444



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STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital reserve	Statutory reserve	Foreign currency translation reserve	Accumulated losses	Total	Non- controlling interests	Total equity
<u>Group</u>	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014	179,491	2,174	2,756	(864)	(14,832)	168,725	(496)	168,229
Profit/(Loss) for the year	-	-	612	-	(6,774)	(6,162)	(99)	(6,261)
Other comprehensive income	-	-	-	21	-	21	29	50
Total comprehensive income for the year	-	-	612	21	(6,774)	(6,141)	(70)	(6,211)
Dividend relating to 2013 declared	-	-	-	-	(2,737)	(2,737)	-	(2,737)
Total transactions with owners recognised directly in equity	-	-	-	-	(2,737)	(2,737)	-	(2,737)
Balance at 31 December 2014	179,491	2,174	3,368	(843)	(24,343)	159,847	(566)	159,281
Balance at 1 January 2015	179,491	2,174	3,368	(843)	(24,343)	159,847	(566)	159,281
Loss for the year	-	-	-	-	(44,813)	(44,813)	-	(44,813)
Other comprehensive income	-	-	-	794	-	794	-	794
Total comprehensive income for the year	-	-	-	794	(44,813)	(44,019)	-	(47,970)
Issue of share capital	71,150	-	-	-	-	71,150	-	71,150
Total transactions with owners recognised directly in equity	71,150	-	-	-	-	71,150	-	71,150
Balance at 31 December 2015	250,641	2,174	3,368	(49)	(69,156)	186,978	(566)	186,412



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STATEMENTS OF CHANGES IN EQUITY (CON'T)

	Share capital	Capital reserve	Foreign currency translation reserve	Accumulated losses	Total
<u>Company</u>	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014	179,491	2,174	(6,130)	(23,005)	152,530
Loss for the year	-	-	-	(12,986)	(12,986)
Other comprehensive income	-	-	(4,178)	-	(4,178)
Total comprehensive income for the year	-	-	(4,178)	(12,986)	(17,164)
Dividend relating to 2013 declared	-	-	-	(2,737)	(2,737)
Total transactions with owners recognised directly in equity	-	-	-	(2,737)	(2,737)
Balance at 31 December 2014	179,491	2,174	(10,308)	(38,728)	132,629
Balance at 1 January 2015	179,491	2,174	(10,308)	(38,728)	132,629
Loss for the year	-	-	-	(13,291)	(13,291)
Other comprehensive income	-	-	(2,293)	-	(2,293)
Total comprehensive income for the year	-	-	(2,293)	(13,291)	(15,584)
Issue of shares	71,150	-	-	-	71,150
Total transactions with owners recognised directly in equity	71,150	-	-	-	71,150
Balance at 31 December 2015	250,641	2,174	(12,601)	(52,019)	188,195



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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	31.12.2015	30.6.2015
Number of ordinary shares	527,730,870	387,730,870

During the second half of FY2015, the Company allotted and issued (i) 50,000,000 new ordinary shares in the share capital of Company pursuant to a placement for working capital purpose, and (ii) 90,000,000 new ordinary shares in the share capital of the Company for the acquisition of Wan Dormitory Pte. Ltd.. For details, please refer to the Company's announcements dated 14 July 2015.

Convertible Shares of the Company as at	31.12.2015	31.12.2014
Number of shares that may be issued on conversion of all outstanding convertible notes	42,307,692	21,48,571

There was no conversion of convertible notes from 1 January 2015 to 31 December 2015.

The increase in the number of shares that may be issued upon conversion of all outstanding convertibles notes as at 31 December 2015 was mainly due to the issuance of unsecured convertible notes amounting to S\$5,500,000 pursuant to a subscription agreement dated 8 January 2015. The Company had redeemed S\$3,000,000 outstanding convertible notes in accordance with the term and conditions of the convertible notes on 21 August 2015.

The Company did not hold any treasury shares as at 31 December 2014 and 31 December 2015 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.

	Company	
	31.12.2015	31.12.2014
Total number of issued shares	527,750,870	387,730,870



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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.

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 under item 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period, which are consistent with the audited financial statements for the financial year ended 31 December 2014.

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 2015. The adoption of the new or revised FRS and INT FRS did not have a material impact on the financial statements of the Group and the Company for the current financial year 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	
	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Net loss attributable to the owners of the Company	(44,813)	(6,162)
Earnings per share		
Basic loss per share (in RMB cents)	(10.61)	(1.59)
Diluted loss per share (in RMB cents)	(10.61)	(1.59)
Weighted average number of shares outstanding for basic earnings per share	422,580,185	387,730,870



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At 31 December 2015 and 31 December 2014, the conversion effects of the convertible loan notes were excluded from the diluted weighted average number of ordinary shares calculation as the potential ordinary shares to be converted under the convertible loan notes are anti-dilutive..

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	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Net assets (RMB'000)	186,412	159,281	188,195	132,629
Net asset value per ordinary share based on the existing issued share capital as at the respective period (RMB cents)	35.32	41.08	35.66	34.21

The Group's and the Company's net assets value per ordinary share as at 31 December 2015 and 31 December 2014 have been computed based on the total number of issued ordinary shares of 527,730,870 and 387,730,870 respectively.

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

	FY2015		FY2014		y-o-y	
	(RMB million)	%	(RMB million)	%	(RMB million)	%
PRC Domestic Sales	56.42	33	312.65	83	(256.23)	(82)
Overseas Sales	108.79	64	57.73	15	51.06	88
Commission Income	-	-	1.03	1	NM	NM
Sales of Scrap Metal	2.62	2	5.33	2	NM	NM
Rental Income	2.05	1	-	-	NM	NM
Total	169.88	100	376.74	100	(206.86)	(55)

PRC Domestic Sales represent sales of steel bars and billets manufactured by the Group in PRC, whereas Overseas Sales are trading of steel related products in South East Asia countries ("SEA"). Sales of Scrap Metal refer to sales of scap metal from the production of steel bars in PRC. Rental income represents rental income generated from the investment property acquired in FY2015.



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PRC Domestic Sales has dropped by RMB256.23M or 82% y-o-y mainly due to:

- (a) halt of XHRC steel billets production and sales in FY2015. Total revenue contributed by XHRC steel billet production in FY2014 was RMB154.68M; and
- (b) drop in average selling price of steel bar in FY2015; the average selling price per tonne of steel bar dropped by approximately 29% in FY2015 as compared to FY2014; and
- (c) drop in sales volume of steel bar in FY2015 as a result of the softened market demand and stiff competition in the PRC market. The sales volume for steel bar has dropped by approximately 53% in FY2015 as compared to FY2014.

The increase in Overseas Sales by RMB51.06M or 88% y-o-y was mainly contributed by higher sales orders received from Singapore, Malaysia and Indonesia after the Group has established its Steel Trading Division in Singapore and extended its marketing networks to SEA market. The increase was partially offset by a drop in general average selling price for steel products in FY2015.

Gross Profit

The Group recorded a gross profit of RMB0.04M in FY2015 as compared to a gross profit of RMB25.47M in FY2014 mainly due to the following:

- (a) gross loss of RMB2.54M recorded by JYCS in FY2015. This was mainly due to higher fixed production cost as a result of the under-utilisation of JYCS's production facilities against the backdrop of lower sales and production volume in FY2015. In FY2014, JYCS recorded a gross profit of RMB11.45M.
- (b) No revenue was generated from XHRC due to a halt of XHRC steel billet production while carrying costs of XHRC continue to incur during the on-going halt of production. Total gross profit contributed by XHRC in FY2014 was RMB12.62M.

The above was partially offset by:

- (a) an increase in gross profit contributed from Overseas Sales of RMB2.64M due to the increase in overseas sales as elaborated above; and
- (b) new rental income from investment property acquired in FY2015.

Other income

Other income decreased by RMB1.14M mainly due to a decrease in PRC government export incentive of RMB0.7M and the absence of the sale of production slag of RMB0.8M. The decrease in PRC government export incentive was due to no export sales in FY2015 from the PRC subsidiaries. There was no sale of production slag as XHRC production was halted in FY2015.

Other gain/ (loss)

Other gain recorded in FY2014 was mainly gain on disposal of a subsidiary of RMB1.13M. Other loss in FY2015 are mainly the foreign exchange loss from Overseas Sales of RMB1.11M as purchases were made in USD while sales were conducted using SGD, and impairment of property, plant and equipment of RMB2.68M in JYCS.

Distribution expense

Distribution expense mainly comprised of selling and transportation expenses incurred for distributing steel products manufactured by the PRC subsidiaries and carriage inward for trading of steel products in SEA. Distribution expense increased by RM1.72M or 53% mainly due to an increase in carriage inward incurred from higher Overseas Sales in FY2015.



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Administrative expense

Administrative expense increased by RMB6.1M or 26% mainly due to professional fees incurred for corporate exercises conducted in FY2015 and additional staff strength in setting up of Overseas Sales division.

Finance expense

The finance expense were mainly related to interest costs convertible notes and additional bank borrowings.

Income tax expense

Income tax expense decreased by RMB0.9M mainly due to the Group's operating loss position in FY2015.

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

Property, plant and equipment

The increase in property, plant and equipment are mainly due to reclassification of prepayment for machinery from other non-current assets after the delivery of machinery to site.

Investment property

Investment property relates to the investment property of the WD acquired in FY2015.

Intangible assets

The increase in intangible assets was mainly due to addition of accounting software during the year.

Goodwill on consolidation

Goodwill on consolidation arose from acquisition of WD during the year.

Other non-current assets

Other non-current assets were mainly the prepayment for machinery for XHRC. During the year, this amount was reclassified to property, plant and equipment following the delivery of the machinery.

Current assets

Inventories

The Group's inventories mainly comprised of finished-goods steel products and raw materials such as flat bar, steel billet, and scrap metal, etc. Inventories dropped by RMB12.7M or 52% was mainly due to lower volume of inventory maintained by the Company in FY2015 in view of the weak market demand on steel products as well as lower average cost of inventory arising from a general decline in raw material prices.



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Trade and other receivables:

	31.12.2015 RMB '000	31.12.2014 RMB '000
Trade receivables and bill receivables	30,755	17,748
Other receivables, prepayments and deposits	30,622	17,981
	<u>61,377</u>	<u>35,729</u>

The increase in trade and bill receivables by RMB13.01M from RMB17.75M as at 31 December 2014 to RMB30.76M as at 31 December 2015 was mainly due to:

- (a) increase in trade receivables from Overseas Sales of RMB4.10M arising from higher sales recorded and
- (b) increase in trade receivables due from its related parties of RMB8.90M which arose from the sale of an old lot of inventory to a related party in June 2015. Total amount due from related parties as at 31 December 2015 included in trade receivables was RMB11.00M (31 December 2014: RMB0.5M).

Other receivables, prepayments and deposits increased by RMB12.64M from RMB17.98M as at 31 December 2014 to RMB 30.62M as at 31 December 2015 was mainly due to an increase of amount due from related parties and an increase in VAT receivables.

Current liabilities

Trade and other payables:

	31.12.2015 RMB '000	31.12.2014 RMB '000
Trade payables and bill payables	30,545	11,315
Advance payments received from customers	476	1,984
VAT and tax payables	3,504	-
Other payables and accruals	40,456	45,975
	<u>74,981</u>	<u>59,274</u>

Trade payables and bill payables were mainly amount due to suppliers for steel billets and other steel trading products. Trade payables has increased RMB19.23M from RMB11.31M as at 31 December 2014 to RMB30.54M as at 31 December 2015. This was mainly due to delay in payment to creditors as part of cash flow management.



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Borrowings

	31.12.2015 RMB '000	31.12.2014 RMB '000
Bank borrowings - current	104,211	65,000
Convertible loan notes – current	-	13,752
Other borrowings	-	8,212
	104,211	86,964
Bank borrowings – non current	51,932	-
Convertible loan notes – non current	22,725	-
	74,657	-

The increase in bank borrowings were mainly due to:

- (a) draw-down of additional bank loan of RMB12 M for working capital purpose in PRC;
- (b) increase in term loan of RMB 79.14M which was embedded in WD acquisition.

The decrease in current convertible loan notes was due to maturity of the notes in August 2015. The non-current convertible loan notes as at 31 December 2015 were related to SGD5.5M convertible loan notes issued on 24 February 2015 for the Company's working capital purposes.

Current tax payable

The increase in current tax payable was mainly due to increase in VAT tax payable amounting to RMB2.40M as the payment was processed subsequent to the financial year end.

REVIEW CONSOLIDATED STATEMENT OF CASH FLOWS

In FY2015, the net cash used in operating activities was RMB23.71M. This was mainly due to operating loss incurred in FY2015.

Net cash used in investing activities of RMB0.98M was mainly due to the purchase of machinery partially offset by the acquisition of subsidiary, however, the impact was partially offset by the cash inflow from the acquisition of subsidiary.

Net cash generated from financing activities of RMB26.59M were mainly due to:

- a) Net proceed from share placement of RMB22.65M;
- b) Net proceed from issuance of convertible loan notes of RMB14.51M; and
- c) Draw-down of bank borrowing of RMB12.00M for working capital purposes.

The increase was partially offset by repayment of matured convertible loan notes of RMB13.75M and an increase in restricted cash of RMB2.16M for WD term loan facilities. Total interest paid in FY2015 amounted to RMB7.07M.



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

In the FY2014 Annual Report, management had indicated that they expected the operating cash flows in FY2015 to be positive. However, due to the worse than expected decline in the PRC domestic demand for and prices of steel bars and increased competition, the Group's FY2015 sales volume and profit margin have suffered, resulting in a loss of RMB44.81M and a negative operating cash flows of RMB23.71M for FY2015.

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.

Industry Outlook

The outlook of the Global steel industry is expected to remain challenging in FY2016. The PRC domestic market is still struggling with both overcapacity in steel production supply and slowdown in steel consumption demand.

Group Outlook

Domestic Sales in PRC

The Group's XHRC production facilities in PRC remains in production halt and the planned construction of its Phase II plant extension has been delayed pending the available funds for the construction.

JYCS will continue to concentrate on the production of its existing product range i.e. steel bars used in machinery parts production. Management expects the demand for steel bars in the PRC domestic market to be weak in FY2016.

Sales outside PRC

The Group Steel Trading Division in its Singapore sales office will continue to focus on its existing market in Singapore, Malaysia and Indonesia for trading of steel related products. The Group will continue to explore and evaluate other new market in other SEA countries. However, the overall steel trading business in SEA remains challenging.

Investment Property Rental

The overall committed occupancy for WD at 31 December 2015 was approximately 97% until end of FY2016, the Group expects the rental income from this investment property to remain stable.

Negative working capital

The Group had a negative working capital of approximately RMB101.34 million as at 31 December 2015 which comprises mainly of bank borrowings of RMB104.21 million due within the next 12 months. Management is currently negotiating with the relevant banks to refinance its current bank borrowings and credit facilities. In addition, Management is actively exploring various debt and equity funding options available to the Group.



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11. If a decision regarding dividend has been made:

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

No dividend was declared for FY2015

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

Not applicable

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

Nil.

(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.

Not applicable.

(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.

Not applicable.

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

No dividend has been declared for FY2015.



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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.

Interested person transaction

The Group have obtained a general mandate from shareholders of the Company for interested person transactions (including the Off Take Agreement) (the "General Mandate") on 30 April 2013 which was renewed by the shareholders at the extraordinary general meeting held on 30 April 2015. Interested person transactions entered into in FY2015 were:

Name of the Interested Person	Aggregate value of all interested person transactions entered during the financial year under review (excluding transactions less than S\$100,000 and excluding transactions conducted under the shareholders' mandate pursuant to Rule 920 of the Catalist Rules)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S\$100,000)
	RMB'000	RMB'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 generate mandate.	-	2,035
Sales of steel related products to 江阴锦澄钢铁有限公司* (Jiangyin Jincheng Steel Co., Ltd.). The transaction was conducted under the general mandate.	-	9,549

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

14. Use of proceeds

As at the date of this announcement, the net proceeds of S\$4,950,000 from the private placement as announced on 14 July 2015, have been utilised as follows:

Use of Net Proceeds	Amount allocated (S\$'000)	Amount utilised (S\$'000)	Balance (S\$'000)
1) Repayment of the convertible loan notes issued in FY2012	3,000	3,000	-
2) Working capital for the Group's trading business in Singapore	1,000	1,000	-
3) General working capital purpose	950	950	-
Total	4,950	4,950	



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PART II: ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

15. **Segmented revenue and results for the business or geographical segments (of the group) in the form presented in the issuer's most recently audited financial statements, with comparative information for the immediately preceding year.**

a) Operating segment

In FY2014, all revenue, capital expenditure, assets and liabilities were derived from one operating business segment in Industrial and Construction Materials. Following the acquisition of Wan Dormitory Pte. Ltd. in FY2015, the reporting segment of the Group for FY2015 includes Investment Property Rental.

Analysis of the revenue and profit/(loss) by reporting segments:

	Revenue		Profit/(loss)	
	2015 RMB '000	2014 RMB '000	2015 RMB '000	2014 RMB '000
Industrial and Construction Materials	167,826	376,744	(38,010)	2,493
Investment property Rental	2,052	-	1,199	-
Total	<u>169,879</u>	<u>376,744</u>	<u>(36,811)</u>	<u>2,493</u>
Finance expense			<u>(6,930)</u>	<u>(6,782)</u>
Profit before tax			<u>(43,741)</u>	<u>(4,289)</u>
Income tax expense			<u>(1,072)</u>	<u>(1,972)</u>
Net loss			<u>(44,813)</u>	<u>(6,261)</u>
Consolidated revenue			<u>169,879</u>	<u>376,744</u>

	Group	
	2015 RMB '000	2014 RMB '000
Segments Assets		
Industrial and Construction Materials	306,516	306,315
Investment property Rental	<u>137,249</u>	<u>-</u>
Consolidated total assets	<u>443,765</u>	<u>306,315</u>



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	Depreciation and Amortization		Addition to non-current assets	
	2015 RMB '000	2014 RMB '000	2015 RMB '000	2014 RMB '000
Industrial and construction materials	10,302	9,642	32,084	60,809
Investment property rental	-	-	-	-
Impairment loss on property, plant and equipment				
- Industrial and Construction Materials	2,684	-	-	-

(b) Geographical information

Revenue	2015		2014	
	RMB '000	%	RMB '000	%
China	59,034	35	318,517	85
Singapore	65,754	39	32,869	9
Malaysia	25,262	15	15,882	4
Others	19,829	11	9,476	1
Total	169,879	100	376,744	100
Segmental non-current assets				
China	231,066	64	232,956	96
Singapore	131,341	35	7,727	3
Malaysia	1	1	7	1
Total	362,408	100	240,690	100

Major customer

Revenue from top one customer of the Group's industrial and construction materials segment represents approximately RMB 34.25 million (FY2014: RMB 134.30 million) of the Group's total revenue.



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- 16. In the review of performance, the factors leading to any material changes in the contribution to turnover and earnings by the business or geographical segments.**

Please refer to the section on “Review of results of Operations” in paragraph 8 of this announcement for details.

- 17. A breakdown of sales as follows:**

	Group		
	2015 RMB'000	2014 RMB'000	% increase/ (decrease)
(a) Sales reported for first half year	77,470	251,596	(69)
(b) Net profit/(loss) after tax before deducting non-controlling interests reported for first half year	(18,584)	3,234	NM
(c) Sales reported for second half year	92,409	125,148	26
(d) Net (loss) after tax before deducting non-controlling interests reported for second half year	(26,229)	(9,495)	NM

NM: Not Meaningful

- 18. A breakdown of the total annual dividend (in dollar value) for the issuer’s latest full year and its previous full year**

Not applicable. No dividend has been declared or recommended for FY2015 and FY2014.

- 19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Wu Dingrong	65	Father-in-law of the Executive Director of the Company, Sun Lu	Non-executive Chairman and Controlling Shareholder of the Company since 27 April 2012.	No change.



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Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Sun Lu	37	Son-in-law of the Non-executive Chairman and Controlling Shareholder of the Company, Wu Dingrong	Executive Director of the Company since 26 September 2012 and a director of Jiangyin Chengsheng Engineering Co., Ltd., a wholly-owned subsidiary of the Company. Sun Lu is responsible for the promotion, development and expansion of the business of the Group and the management of the Group's operations.	No change.

Mr Wu Dingrong and Mr Sun Lu have taken a temporary leave of absence from their duties pending the outcome of the investigation of the Independent Review Committee over certain unauthorised transactions entered into by the Company's PRC Subsidiaries. For further details, please refer to the Company's announcement dated 19 January 2016.

BY ORDER OF THE BOARD

Lee Wan Sing
Group CEO

29 February 2016