东方集团
ORIENTAL GROUP

Our Strength Lies from Within

Annual Report 2013

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ORIENTAL GROUP

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CORPORATE PROFILE

Oriental Group Ltd, ("Oriental Group"), stock code: 5FI.SG, is a public listed company in SGX-Catalist since 19 November 2004. Oriental Group is a steel manufacturing and trading group with an integrated steel mill which manufactures mild steel bars & high tensile steel bars, such as angle bars, flat bars mainly used in the industrial & construction industries. Oriental Group's steel production facilities are located in both Jiangyin City and Xinghua City, Jiangsu Province, the PRC.

In 2013, Oriental Group acquired the entire shareholdings of Xinghua Rongcheng Precision Manufacturing Co., Ltd to venture into the Group's upstream business operations to manufacture carbon steel products, including steel billets which are raw materials used by steel mills for rolling and forging into other steel products. This Acquisition not only helps Oriental Group to secure its raw materials supply, but also to enhance its profitability.

The Group has set up a regional office in Singapore to penetrate in to South East Asia market. By leveraging on its current sales network in the region, the Group has also collaborated with Anhui ZheTai Stainless Steel Group, Jiangyin Xicheng Sanlian Holding Group and Jiangyin Xingding Drilling Products Manufacturing Co., Ltd to increase its product mix, such as the stainless steel products, deformed bar and various drilling products.

公司简介

东方集团有限公司（简称“东方集团”或“集团”），自2004年11月19日起在新加坡交易所凯利板上市，股票代码为5FI.SG。东方集团是一家集生产和贸易为一体的综合性钢铁生产企业，主要生产工业和建筑业用低碳圆钢和高强度型钢，如角钢、扁钢等。东方集团的钢铁生产基地位于中国江苏省江阴市和兴化市。

2013年，集团通过收购兴化市荣澄精密铸造有限公司的全部股权，将业务向上游延伸，生产碳钢，包括钢坯等，钢坯是生产型钢的主要原料。通过这次收购，不仅能保证集团的产品原材料供应，而且也加强了集团的盈利能力。

集团还在新加坡设立了区域销售中心，借助此平台向东南亚其他地区扩展。借助集团在区域的销售网络优势，东方集团与安徽浙泰不锈钢集团，江苏西城三联控股集团以及江阴市兴鼎石油管具有限公司合作，代理其产品，如不锈钢产品、螺纹钢以及各类石油管件等。

CHAIRMAN'S STATEMENT

Dear Shareholders,

Financial year ended 31 December 2013 ("FY2013") has been a year of high growth for Oriental Group Ltd. ("Oriental" or the "Company"), buoyed by the maiden contribution from our newly acquired subsidiary Xinghua Rongcheng Precision Manufacturing Co., Ltd. ("Xinghua Rongcheng").

Today, on behalf of the Board of Directors of Oriental Group Ltd. and its subsidiaries (collectively, the "Group"), I take great pleasure in presenting to you the Group's Annual Report and audited financial statements for FY2013.

Based on the financial results of FY2013, the Group's revenue grew by 163% from RMB167.0 million to RMB439.1 million in FY2013. Operating profit before tax was RMB10.6 million. Net profit for the year posted a 3.4 fold increase to RMB4.8 million compared with RMB1.4 million in FY2012. This was mainly due to the successful implementation of its expansion strategy since the business transformation to the special steel products industry in 2012.

A Year Of Expansion

The Group has progressively implemented its expansion strategy in 2013, following its busines focus on specialised steel products in 2012.

In April 2013, the Group successfully raised SGD21.5 million via a placement of 179,166,667 new ordinary shares. By using 37% of the proceeds together with the proceeds of SGD3 million from issuing convertible loan notes bond in 2012, totalling RMB55 million, the Group acquired the entire shareholding of Xinghua Rongcheng. The Group also set up a wholly owned subsidiary, Xinghua Xincheng Trading Co., Ltd to engage related trading business for Xinghua Rongcheng.

Located in Xinghua City, Jiangsu Province, the PRC, Xinghua Rongcheng has a land area of approximately 82,131 sqm, and six completed buildings with a total gross floor area of 21,409 sqm which allow for production capacity of special steel products up to 300,000 tonnes per annum and has commenced operation since August 2013. Xinghua Rongcheng will continue to expand its product mix and enhance its competitiveness in the market. In the next 2 years, Xinghua Rongcheng will also implement its second stage development plan to enhance its assets capability and product mix, and will continue to streamline its assets and product mix structure to increase its profitability.

After completion of the acquisition, the Group also progressively deployed its sales network in South East Asia ("SEA"). On 19 November 2013, our regional sales office with a product showroom was officially opened. This office would be a trading hub of Oriental in SEA. With our current customer base in Singapore, the Group will be able to penetrate other SEA countries and collaborate with local strategic partners. Currently, the Group has incorporated two subsidiaries in Malaysia and the Philippines and could potentially expand to other SEA countries to develop its presence in the SEA steel market.

By leveraging on it, current sales network in the region, the Group has also collaborated with Anhui Zhetai Stainless Steel Group, Jiangsu Xicheng Sanlian Holding Group and Jiangyin Xingding Drilling Products Manufacturing Co., Ltd to increase our product mix. The Singapore sales office will be able to market their stainless steel products, deformed bars and various drilling products to construction, machinery, ship-building and oil & gas industries, aiming to have a share in the SEA steel market.

"2013 has been a year of high growth for Oriental Group buoyed by the maiden contribution from the business transformation strategy implemented in 2012"

In December 2013, the Group's wholly owned subsidiary, Jiangyin Chengsheng, acquired the production facilities from Jiangyin Dingsheng Jinshu Yayan Co., Ltd for a total price of RMB21.5 million (approximately SGD4.47 million). These facilities which have been previously leased to the Group consist of a set of rolling production lines and auxiliary equipment. The Group has funded this transaction through the proceeds received from the abovementioned convertible notes and share placement. Through this acquisition, the Group aims to obtain higher bank credit facilities and also reduce costs in renting the production facilities.

Outlook And Strategy

China remains one of the fastest growing economies. However, in recent years, due to the overcapacity situation, China's steel price has been facing downward pressures.

Notwithstandings, the demand of our Group's Steel products has always outpaced our production capacity. Together with the continuous efforts on expansion of product mix to improve our competitive edge, we are fairly optimistic with the Group future prospects.

China's infrastructure development projects will continue to drive demand, which should support further increase in the output of steel products. Local urbanisation development plans and building of social housing projects in PRC would have a positive impact on one of the Group's steel product, flat steel bar, which is used for the construction of elevator shaft guide rails. Further, the Group is able to customise its products to meet its customers' requirements.

Moving forward, the Group will leverage on its China production base and expand its market presence from Singapore to the SEA region. The Group will continue to explore and evaluate prospective ventures to enhance the Group's production capabilities.

Acknowledgement

On behalf of the Board of Directors, I would like to express my gratitude to all shareholders, investors, customers and business associates for the trust and support over the years. To our staff, thank you for your dedication, professionalism and contributions made to the Group. We look forward to continued good performance for the Group.

Wu Dingrong
Chairman
10 April 2014

主席致词

尊敬的股东们

截至2013年12月31日(“2013财年”)对东方集团有限公司（“东方”或“公司”，连同其子公司合称“集团”）来说是一个实现跨越式增长的一年，这主要归功于集团新收购的兴化荣澄精密制造有限公司（“兴化荣澄”）的新贡献。

今天，我代表东方集团有限公司董事会，在此，荣幸地向大家呈现2013年度报告和经审计的2013财年的财务业绩。

2013财年，集团的营业收入与2012财年同比增长了163% 或2.721亿元，达4.391亿元（人民币，下同）。集团的税前营业利润为1,064万元。税后净利增长了三倍，达480万元。这主要归功于集团在2012年完成向特殊钢制品业务转型之后成功地实施了拓展战略。

跨越增长的一年

在集团2012年完成向特殊钢制品行业转型之后，2013年集团开始有步骤地实施其拓展计划。

2013年4月，集团成功地增发了179,166,667股新股，筹集了约2,150万新元，用以扩展集团业务发展：用所筹款项的37% 、再加上部分2012年发行的300万新元的可转换债券，共5,500万元人民币，收购了兴化市荣澄精密铸造有限公司（“兴化荣澄”），并成立了兴化新澄贸易有限公司。

兴化荣澄位于中国江苏省兴化市，占地面积约8.2万平方米，建筑面积约21,409平方米，具有30万吨特钢的年生产能力，2013年八月正式建成投产。兴化荣澄的主要产品为特钢原材料。 兴化荣澄公司不断将产品延伸，扩大产品领域。兴化荣澄公司将在今，明两年实施公司的第二期发展部署，实行产业链的延伸和产品延伸，不断调整产业的结构和产品结构，提升产品的附加值和提高企业的盈利能力，增强东方集团的抗风险能力和市场的竞争力。

在完成了这项收购之后，集团也在积极部署东南亚地区的销售网络。2013年11月19日，配有产品展示厅的区域销售中心在新加坡正式成立，她将作为东方集团在本区域的销售基地。以我们在新加坡现有的客户基础，集团将以此为中心向东南亚地区渗透，并联合当地企业达成战略合作伙伴关系。近年来，集团在马来西亚、菲律宾成立了集团子公司，今后还将扩展至其他东南亚国家，共同拓展东南业的钢铁市场。

借助在区域的销售网络优势，集团还与安徽浙泰集团、江苏西城三联集团以及江阴兴鼎石油管具有限公司合作，提高我们的产品组合。我们的东南亚销售网络因此可以销售他们的不锈钢产品、螺纹钢、以及石油管具产品，全面地将我们的产品推广至建筑、机械、造船以及石油等各行业。争取在东南亚的钢铁市场立足一席之地。

2013年是集团自2012年集团完成业务转型之后，实现跨越式增长的一年。

2013年12月，集团的全资子公司——江阴澄盛机械制造有限公司（“江阴澄盛”）以2,150万元人民币（约447万新元）购买之前一直租用的江阴鼎盛金属压延公司的生产设备。该生产设备包括一条轧钢生产线和辅助设备。该款项将从发行可转换债券和增发新股所筹的资金中支付。 购买该设备是集团拓展策略的一部分。将生产设备变为集团的资产，不仅能够使集团获得更高的银行信用额度，而且还将减少集团今后的租赁成本。

前景展望和发展策略

中国仍然是世界发展最快的经济体之一。近几年，虽然中国的钢铁行业面临着产能过剩的情况，钢材的价格面临下行的压力。

但是我们东方集团的钢制品一直供不应求，产品适销对路。而且不断通过新产品的开发，增强本公司的竞争力，前景十分乐观。

中国的基础设施建设将继续带动许多行业的增长，也会带动今后钢材的强劲增长。中国城镇化的发展和社会住房的构建将对集团生产的用于电梯轨道的扁钢产品的需求起着正面的推动作用。再有，集团也能够根据客户需求，为客户量身定做特定的钢材产品。

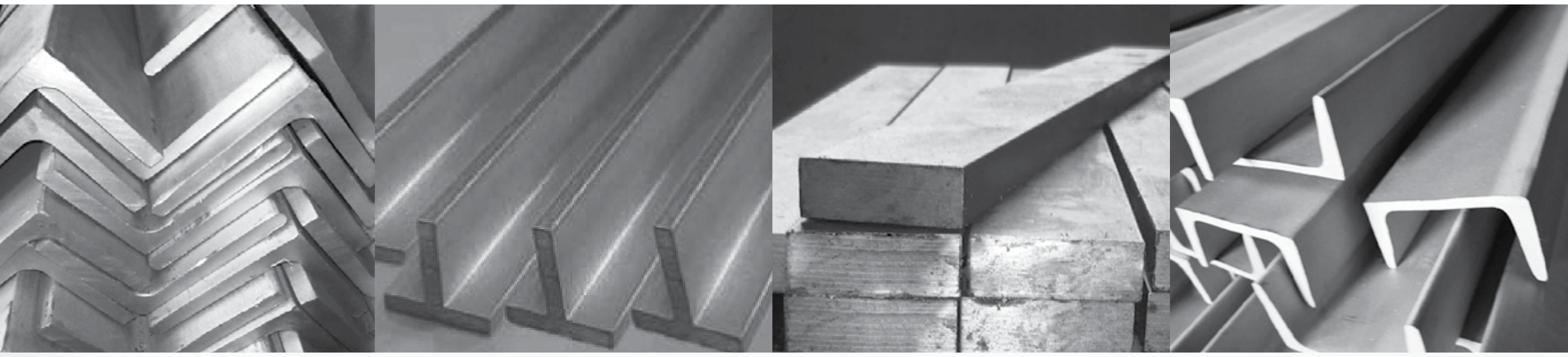
今后，集团将会以其中国的生产基地作为后盾，以新加坡为中心，将市场拓展至东南亚的其他地区。集团也将会继续寻求新的收购或合作机会，以提升生产能力。

衷心感谢

在此，我谨代表东方集团董事会全体成员，对各位股东、投资者、客户、商业伙伴等表达最衷心的感谢！感谢你们一直以来对东方集团的大力支持和真诚信赖！同时，我还要感谢我们的员工，感谢你们的勤勉努力、恪守专业以及真诚奉献。我期待东方集团今后能创造更加辉煌的成绩

吴丁荣
主席
2014年4月10日

FINANCIAL AND OPERATIONS REVIEW



Financial and Operations Review

For the financial year ended 31 December 2013 ("FY2013"), Oriental Group Ltd. ("Oriental" or the "Group") recorded a 163% increase in revenue to RMB 439.1 million, from RMB167.0 million in FY2012. The increase was mainly due to maiden contributions from newly acquired subsidiary, Xinghua Rongcheng Precision Manufacturing Co., Ltd. ("Xinghua Rongcheng"), and overseas sales.

In line with its existing strategy to enhance the comprehensive business of the Group's steel product mix and stay competitive, the Group's revenue stream broadened in both domestic sales and overseas sales. Sales from the Group's wholly owned subsidiary, Jiangyin Chengsheng Machinery Manufacturing Co., Ltd. ("Jiangyin Chengsheng"), contributed RMB 183.5 million, representing 41.8% of total revenue. It recorded higher sales volume as it has extended its product range to include flat bar used in elevator shaft guide rails.

During the year, the Group actively deploy its sales network in South East Asia region and commenced the export of steel bars to Singapore and Malaysia, generating approximately RMB 68.2 million in sales, representing 15.5% of total revenue. Income from commission and sales of scrap metal was RMB 11.5 million, has contributed 2.6% to revenue.

The Group recorded gross profit of RMB 35.6 million in FY2013, up 131% from RMB 15.4 million in FY2012 due to enlarged revenue. However, the profit margin decreased mainly due to the newly acquired subsidiary which commenced its full commercial operations only in August 2013.

The increase in depreciation expense from RMB 0.6 million a year ago to RMB 4.8 million in FY2013 was mainly due to the depreciation of buildings and production facilities in the newly acquired subsidiary following the commencement of its production. Distribution expenses recorded a 4.5-fold or RMB 3.6 million increase, which was in tandem with the increase of sales volume. Administration expenses increased RMB 9.0 million to RMB 18.3 million in FY2013. This was because of the expenses incurred by the newly acquired subsidiary, the Group corporate office and business operation in Singapore.

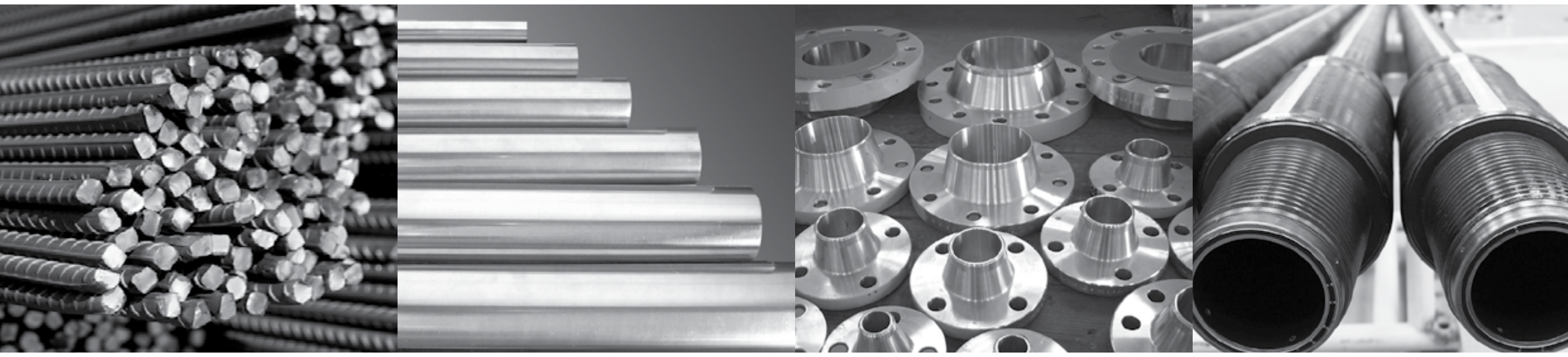
As a result of expanded business and product mix, the Group's net profit attributable to shareholders rose to RMB 4.8 million, up 243% from RMB 1.4 million in FY2012. The Group's earnings per share was RMB 1.41 cents.

As at 31 December 2013, property, plant and equipment and lease prepayments increased to RMB 129.5 million from RMB 2.9 million in the previous year, due to purchase of land and buildings and production facilities in PRC subsidiary.

Current assets increased from RMB 110.3 million to RMB 182.6 million in FY2013 was mainly due to the increase in inventories and trade receivables from newly acquired subsidiary. However, the increase was partially offset by a decrease in deposits and prepayments to suppliers for the purchase of steel billets since part of the steel billets required by the Group production of steel bars were supplied internally.

The Group's cash and cash equivalents at end of the year stood at RMB 16.6 million compared to RMB 5.2 million previously. The increase was mainly due to the proceeds from the issuance of 179,166,667 new shares at an issue price of SGD0.12 per share during the year and partly from bank borrowings. However, the increase was mainly offset by the acquisition of subsidiary, purchase of property, plant and equipment and lease prepayments.

The Group's net asset value per share was RMB 43.39 cents as at 31 December 2013 as compared to RMB 27.62 cents a year ago.



财务和运营回顾

在截至2013年12月31日的财政年度（“2013财年”）中，东方集团有限公司（“东方”或“集团”）的营业收入猛增了163%，从2012财年的1.670亿元（人民币，下同）增加至4.391亿元。这主要是因为集团新收购的子公司——兴化市荣澄精密铸造有限公司（“兴化荣澄”）以及海外销售开始对集团盈利作出积极贡献。

与集团的通过并购等方式提高产品组合和增强竞争力的策略相一致，本年度，集团在中国国内的销售和海外的销售都有大幅度的提升。 集团全资子公司——江阴澄盛机械制造有限公司（“江阴澄盛”）的营业收入为1.835亿元，占集团总收入的41.8%。由于该子公司将产品线扩展至生产电梯轨道用的扁钢，使得公司的销售量提高。

本年度，集团还积极拓展东南亚海外市场，已开始将产品出口至新加坡和马来西亚。海外销售额为6,820万元，占总收入的15.5%。另外，来自佣金和废料销售的金额为1,150万元，占总收入的 2.6%。

集团2013财年的毛利润为3,560万元，与2012财年的1,540万元相比提高了131%。这主要是因为营业收入的提升。由于集团新收购的兴化子公司在2013年8月才开始全面的商业生产，因此导致总体毛利率有所下降。

折旧费用从一年前的60万元提高至480万元，这主要是因为新收购的子公司厂房和生产设备等固定资产在公司开始商业生产之后产生折旧费用。营销费用提高了4.5倍或360万元，这与公司销售数量的增加相一致。管理费用增加了900万元至1,830万元，这是由于新收购的子公司以及新成立的新加坡区域中心开始商业运作。

由于积极拓展业务和产品组合，由于积极拓展业务和产品组合，集团的归属股东净利为480万元人民币，比2012财年的140万元人民币增加了243%。集团在2013财年的每股盈利人民币1.41 分。

截至2013年12月31日，集团的土地、厂房和生产设备大幅增加，从前一年的290万元增加至1.295亿元，这主要是因为新收购的中国子公司的土地、建筑物和生产设施并入集团。

流动资产也增加了1.103亿元至1.826亿元，这主要是因为并入了新收购子公司的存货和贸易应收款。但是，部分由于现金存款和给供应商预付款的减少而被冲抵。购买钢坯的预付款减少是因为集团生产型钢所需部分钢坯是由集团内部的子公司生产供应的。

截至年底，集团的现金及其等价物于2012年的520万元相比，增加到1,660万元。这主要是因为集团通过以每股0.12新元的价格发行了179,166,667股新股所收到的筹集资金，其中绝大部分所筹资金用来收购兴化荣澄的固定资产；再加上银行贷款增加。

集团截至2013年12月31日的每股净资产，从一年前的人民币27.62分增加至43.39分。

BOARD OF DIRECTORS

WU DINGRONG

Non-executive Chairman

Mr Wu Dingrong was appointed as Non-executive Chairman of Oriental Group Ltd since April 2012. He is responsible for the formulation of the overall business direction and strategies of the Group. Mr Wu Dingrong is the founder and director of Jiangyin Jincheng Steel Co., Ltd ("Jiangyin Jincheng") since 2003. Mr Wu has extensive industry knowledge and a wide network of business contracts in steel industry in the PRC.

LEE WAN SING

Executive Director

Mr Lee was appointed as Executive Director since October 2011. He is responsible for the Group's investment policies and corporate affairs matters. Mr Lee started his career in the audit industry with KPMG in Singapore. He went on to hold senior management position in the finance departments of Nico Steel Holdings Ltd and Oceanus Group Limited, both listed on the SGX-ST. Mr Lee is a fellow member of the Association of Chartered Certified Accountants, United Kingdom (FCCA), a non-practising member of the Institute of Singapore Chartered Accountants (ISCA) and Malaysian Institute of Accountants (MIA). He is also a member of the Singapore Institute of Directors (SID).

SUN LU

Executive Director

Mr Sun Lu was appointed as Executive Director of Oriental Group since September 2012. He is responsible for the promotion, development and expansion of the business of the Company, its subsidiaries and associated companies (together the "Group") and the management of the Company's operations and the management of other Group companies. Mr Sun had been a trading manager, sales manager and deputy manager of Jiangyin Jincheng Steel Co., Ltd ("Jiangyin Jincheng") between 2003 and 2011. Since 2011 to present, he is the Chief Operating Officer of Jiangyin Chengsheng Machinery Manufacturing Co., Ltd.

ONG WEE CHUAN

Non-executive Director

Mr Ong was appointed as Non-Executive director of Oriental Group Ltd since September 2012. He is the founder and director of Golden Hung Ho Holdings Pte. Ltd. ("GHH"). since 2000. As the Executive Director of GHH, he is in charge of the overall operations management, strategic planning and business development of GHH. In addition, Mr Ong is also responsible for the development of branding and marketing of certain selected agency wines and spirits for the South East Asia region. With his extensive experience and wide network of business contacts, Mr Ong's contribution to the business expansion of the Group in the region would be vital. Mr Ong has also served as Chairman of Toh Guan Business Associations in Singapore since 2010.

BOARD OF DIRECTORS

CHUA HUNG MENG

Indendent Director

Mr Chua Hung Meng has previously worked in various domestic and international banks including Industrial and Commercial Bank, Singapore, AMRO Bank (Singapore Branch), Credit Suisse (Singapore Branch). He was Head of Placement in London Forfaiting Asia Pacific Ltd in Hong Kong from 1995 to 1997. From 1997 to 2001, he was a director of one of the subsidiaries of Singapore Technologies Group, overseeing business development in the debt capital market. Currently, he is also an independent director of Lizhong Wheel Group Ltd which is listed on SGX and Board member of World Toilet Organization. Mr Chua obtained his Bachelor of Business Administration degree from the National University of Singapore in 1981, and received a Masters in Professional Accounting degree from The University of Southern Queensland in 2003.

TAN SONG KWANG

Independent Director

Mr Tan has extensive corporate banking experience in the Asia Pacific region with a special focus on the PRC, from working in various international banks including, Citibank, BOC, ABOC and OCBC. His areas of specialisation include real estate, trade and special project financing, debt and corporate restructuring, financial modelling and valuation, and corporate finance transactions. In addition, Mr Tan was involved extensively in helping companies to raise funds from the capital markets. He is currently a director of Stratus Capital Pte Ltd. He is the former independent Non-Executive Director, and Chairman of the Remuneration Committee of China Paper Holdings Limited which is listed on SGX. He obtained his Bachelor of Arts (Economics) degree from the National University of Singapore in 1991.

KOH CHOON KONG

Independent Director

He is currently the Group Finance Director of EtonHouse International Education Group, a leading and rapidly growing pan-Asia education provider of international school and preschool educational services. Prior to this role, he has served as Group CFOs of various SGX-listed corporations - EMS Energy Limited, Fuxing China Group Limited, and China Sunsine Chemical Ltd. which he helped bring through a successful IPO in 2007. He has more than 18 years of corporate finance, accounting and business experience. He is also currently serving as an Independent Non-Executive Director of China Sunsine Chemical Holdings Ltd, a manufacturer of rubber chemicals. Mr Koh graduated from the Nanyang Technological University with a Bachelor of Accountancy and later obtained his Master of Business Administration degree from the University of Manchester. He is a member of the Singapore Institute of Directors, a Chartered Accountant of Singapore, as well as a CFA charter holder.

EXECUTIVE OFFICER

LEE ONG

Group Financial Controller

Mr Lee was appointed as Group Financial Controller since July 2012. He is responsible for the overall financial functions of the Group, including financial strategy, budgeting and management control, and financial management. He started his career in the audit industry and was an audit manager at Deloittee & Touche LLP Singapore and internal audit manager at Hytex Integrated Berhad, Malaysia. He has more than 10 years in audit and corporate finance industries. Mr Lee is a member of the New Zealand Institute of Chartered Accountants (NZICA) and provisional member of Institute of Singapore Chartered Accountants (ISCA).

GROUP STRUCTURE

ORIENTAL GROUP LTD. (SINGAPORE)

- 55% — OGL Steel (M) Sdn. Bhd. (Malaysia)
- 100% — Oriental Investments Group Pte. Ltd. (Singapore)
  - 100% — Jiangyin Chengsheng Machinery Manufacturing Co., Ltd. (Jiangyin, PRC) 江阴澄盛机械制造有限公司
  - 100% — Xinghua Xincheng Trading Co., Ltd. (Xinghua, PRC) 兴化新澄贸易有限公司
    - 100% — Xinghua Rongcheng Precision Manufacturing Co., Ltd. (Xinghua, PRC) 兴化荣澄精密铸造有限公司
  - 100% — OGL Energy Pte. Ltd. (Singapore)
- 55% — OGL Steel (Philippines) Pte. Ltd. (Singapore)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Wu Dingrong
(Non-executive Chairman)
Mr Lee Wan Sing
(Executive Director)
Mr Sun Lu
(Executive Director)
Mr Ong Wee Chuan
(Non-executive Director)
Mr Chua Hung Meng
(Independent Director)
Mr Tan Song Kwang
(Independent Director)
Mr Koh Choon Kong
(Independent Director)

AUDIT COMMITTEE

Mr Chua Hung Meng
(Chairman)
Mr Tan Song Kwang
(Member)
Mr Koh Choon Kong
(Member)

REMUNERATION COMMITTEE

Mr Koh Choon Kong
(Chairman)
Mr Chua Hung Meng
(Member)
Mr Tan Song Kwang
(Member)
Mr Wu Dingrong
(Member)

NOMINATING COMMITTEE

Mr Tan Song Kwang
(Chairman)
Mr Chua Hung Meng
(Member)
Mr Koh Choon Kong
(Member)
Mr Wu Dingrong
(Member)

COMPANY REGISTRATION NUMBER

200401998C

REGISTERED OFFICE

10 Upper Aljunied Link, #04-09,
Singapore 367904

BUSINESS OFFICE

10 Upper Aljunied Link, #04-09,
Singapore 367904
Tel : +65 6282 3382
Fax : +65 6282 3381
Email: feedback@orientalgroup.com.sg
Website: www.orientalgroup.com.sg

SPONSOR

CNP Compliance Pte Ltd
36 Carpenter Street
Singapore 059915
Tel : +65 6323 8383

COMPANY SECRETARY

Mr Ong Wei Jin
Ms Goh Wei Lin

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road
#02-00 Singapore 968898

AUDITORS

KPMG LLP
Chartered Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
Partner-in-Charge
Ms. Kum Chew Foong
(since financial year ended 31 December 2009)

PRINCIPAL BANKER

China Merchants Bank
Jiangyin Branch
No. 5, Chengjiang Middle Road,
Jiangyin, Wuxi,
Jiangsu 214400,
PRC.

Jiangsu Xinghua Rural Commercial Bank Co., Ltd
Jinguo Branch
No. 23, Shaoyang Town,
Changan South Road,
Xinghua, Taizhou,
Jiangsu 225700,
PRC.

CORPORATE GOVERNANCE REPORT

Preamble

Oriental Group Ltd (the "**Company**", together with its subsidiaries, the "**Group**") is committed to maintaining good standards of corporate governance, to promote corporate transparency and protect shareholders' interests. This report sets out the corporate governance practices of the Company during the financial year with specific reference to the principles of the revised Code of Corporate Governance 2012 (the "**Code**").

The Company has complied substantially with the requirements of the Code and will continue to review its practices on an ongoing basis. It has provided an explanation for any deviation from the Code, where applicable.

1. BOARD MATTERS

<u>Board's Conduct of its Affairs</u>

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with the Management to achieve this and the Management remains accountable to the Board.

The Board's primary role is to protect and enhance long-term shareholders' value and returns. The Board provides entrepreneurial leadership, sets strategic directions, oversees management effectiveness and ensures proper conduct of the Group's business. The Board provides the overall strategy of the Group and ensures that policies and processes are in place for evaluating the adequacy of internal controls financial reporting, financial performance, risk management and compliance and assumes responsibility of corporate governance framework of the Group.

The key roles of the Board include, *inter alia:*

- reviewing and approving corporate strategies and long-term direction of the Group.
- providing guidance in the proper conduct of the Group's business and assume responsibility for corporate governance.
- conducting periodic reviews of the Group's internal controls, financial performance, compliance practices and resource allocation.
- ensuring effective management leadership of the highest quality and integrity.
- approve major investment and divestment proposals, material acquisitions and disposals of assets, the release of the Group's half year and full year results and interested person transactions of a material nature.

The Board is supported by key board committees, namely the Audit Committee ("**AC**"), Remuneration Committee ("**RC**") and Nominating Committee ("**NC**") which are delegated specific responsibilities. These committees function within clearly defined written terms of reference and operating procedures which are reviewed on a regular basis by the Board.

The Board meets regularly to approve matters relating to announcements of financial results, the annual report and financial statements, material acquisitions and disposals of assets. The Board conducts meetings at least twice annually and ad-hoc Board meetings are convened as and when necessary. The Company's Articles of Association provides for meetings of Directors by way of telephone and conference via electronic communications. In lieu of physical meetings, written resolutions were also circulated for approval by members of the Board.

CORPORATE GOVERNANCE REPORT

1. BOARD MATTERS (continued)

Board's Conduct of its Affairs (continued)

The attendance of Directors at Board and its committees meetings during the financial year ended 31 December 2013 are set out as follows:

	Board	Audit Committee	Remuneration Committee	Nominating Committee
No. of meetings held	3	2	2	2
Directors	Number of meetings attended			
Wu Dingrong	3	2*	2	2
Lee Wan Sing	3	2*	1*	1*
Sun Lu	2	2*	1*	1*
Ong Wee Chuan	3	2*	1*	1*
Chua Hung Meng	3	2	2	2
Tan Song Kwang	3	2	2	2
Koh Choon Kong	3	2	2	2

Note:
* By Invitation

The Group has adopted internal guidelines on matters that require the Board's approval. These principally include major policy decisions, major investments and divestments, significant legal and financial issues and other matters as may be considered by the Board.

The Company does not have a formal training program for newly appointed directors. However, the Board ensures that all newly appointed Directors will be given an orientation on the Group's business strategies, operations and organisation structure as well as the statutory and regulatory obligations of being a Director to ensure that are fully aware of their responsibilities and obligations of being a Director. The Company will provide training for newly appointed directors in areas such as accounting, legal and industry specific knowledge as appropriate and such training will be arranged and funded by the Company.

All Board members are encouraged to receive regular training, particularly on relevant new laws, regulations and changing commercial risks, from time to time.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Currently, the Board comprises one Non-Executive Chairman, two Executive Directors, one Non-Executive Director and three Independent Directors, therefore more than one third of the Board Members are independent.

CORPORATE GOVERNANCE REPORT

1. BOARD MATTERS (continued)

Board Composition and Guidance (continued)

Mr Wu Dingrong	Non-Executive Chairman
Mr Lee Wan Sing	Executive Director
Mr Sun Lu	Executive Director
Mr Ong Wee Chuan	Non-Executive Director
Mr Chua Hung Meng	Independent Director
Mr Tan Song Kwang	Independent Director
Mr Koh Choon Kong	Independent Director

The Board considers an independent director as one who has no relationship with the Company, its related companies, its 10% shareholders or its officers that could interfere or be reasonably perceived to interfere, with the exercise of the director's independent business judgment of the conduct of the Group's affairs. The independence of each independent Director is reviewed by the NC at least annually and as and when circumstances demand. The NC has reviewed the independence of Mr Koh Choon Kong and has determined him to be independent.

Mr Chua Hung Meng and Mr Tan Song Kwang have served on the Board for more than nine (9) years from the date of their first appointment. After taking into consideration the views of the NC, the Board has reviewed the independence of Mr Chua and Mr Tan and considers each of them to be an independent director in accordance with the Code's definition of independence. The Board also took into consideration that the Company has undertaken a reconstitution of Board members and management team following the Company's expansion into steel business in 2011 and each of Mr Chua and Mr Tan has throughout his appointment, continuously and constructively challenged management on business decisions and has remained objective in the discharge of his duties and responsibilities.

The Independent Directors of the Board exercise no management function in the Company or any of its subsidiaries. The role of Independent Directors is primarily to ensure the strategies of the Company proposed by the Management are fully discussed and vigorously examined, taking into consideration the long-term interest of the Group and the shareholders. The Board members provide a range of core competencies in accounting, finance, business management experience and industry knowledge that provide effective direction for the Group.

The Board considers that its current Board comprises Directors who have the appropriate mix of expertise and experience, and collectively possess the necessary core competencies to function effectively and make informed decisions overseeing the Company's business. The profiles of the Directors are set out on pages 9 and 10 of this Annual Report.

Chairman and Executive Director

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The Chairman, Mr Wu Dingrong, is a Non-Executive Director and is primarily responsible for overseeing the working of the Board. Mr Wu Dingrong is not involved in the day-to-day management of the Group.

Mr Sun Lu, an Executive Director, is responsible for the promotion, development and expansion of the business of the Group and Mr Lee Wan Sing, an Executive Director, is responsible for the corporate affairs of the Group.

Mr Wu Dingrong is the father-in-law of Mr Sun Lu.

CORPORATE GOVERNANCE REPORT

1. **BOARD MATTERS** (continued)

Chairman and Executive Director (continued)

In accordance with Guideline 3.3 of the Code and to promote a high standard of corporate governance, the Board has appointed Mr Chua Hung Meng, an Independent Director, as Lead Independent Director. Mr Chua Hung Meng is available to shareholders when they have concerns in circumstances where contact through the normal channel of the Chairman or the Group Financial Controller has failed to resolve or for which such contact is inappropriate.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC presently comprises the following four members, of whom three are Independent Directors: -

Mr Tan Song Kwang (Chairman – Independent Director)
Mr Chua Hung Meng (Member – Independent Director)
Mr Koh Choon Kong (Member – Independent Director)
Mr Wu Dingrong (Member – Non-Executive Chairman)

The NC is governed by its written terms of reference. In accordance with the requirement of the Code, the Chairman of the NC is served by Mr Tan Song Kwang, an Independent Director.

The key roles of the NC include, *inter alia:*

- reviewing and making recommendations to the Board on appointment and re-election of the members of the Board including making recommendations on the composition of the Board generally and the balance between Executive and Non-Executive Directors appointed to the Board.

- determining the independence of each Independent Director annually and as and when circumstances demand.

- evaluating the effectiveness of the Board as a whole and assessing the contribution of each Director to the effectiveness of the Board.

- reviewing the training and professional development programs for the Board.

The process for the selection and appointment of new Directors is as follows:

- the NC evaluates the balance of skills, knowledge and experience of the Board and, in light of such evaluation and in consultation with Board, prepares a description of the role and the essential and desirable competencies for a particular appointment;

- where necessary, external help may be sought to source for potential candidates. The Board and the Management may also make suggestions;

- the NC meets with short-listed candidates to assess their suitability and to ensure that the candidates are aware of the expectations and the level of commitment required of them; and

- the NC makes recommendations to the Board for approval.

CORPORATE GOVERNANCE REPORT

1. BOARD MATTERS (continued)

Board Membership (continued)

The NC is responsible for re-appointment of directors. In its deliberations on the re-appointment of existing directors, the NC takes into consideration the director's contribution and performance (including his contribution and performance as an independent director, if applicable).

The assessment parameters include attendance record, preparedness, intensity of participation and candour at meetings of the Board and board committees as well as the quality of intervention and special contribution.

All directors submit themselves for re-nomination and re-appointment at regular intervals of at least once every three years. Article 91 of the Company's Articles of Association provides that one-third of the directors shall retire from office by rotation and be subject to re-appointment at the Company's AGM. New Directors are at present appointed by way of a board resolution, after the NC approves their appointment. Such new directors must submit themselves for re-election at the next AGM of the Company.

The NC has recommended the nomination of Mr Chua Hung Meng, Mr Koh Choon Kong, and Mr Sun Lu for re-election at the forthcoming AGM. The Board has accepted the NC's recommendation. Mr Chua Hung Meng will, upon re-election as a Director, remain as the Chairman of the AC and a member of the RC and NC, and will also be the Lead Independent Director. Mr Koh Choon Kong, will, upon re-election as a Director, remain as the Chairman of the RC and a member of NC and AC. Mr Chua Hung Meng and Mr Koh Choon Kong have abstained from making any recommendations and/or participating in any deliberations of the NC in respect of the assessments of their own performance or re-nomination as a Director.

The NC has also reviewed the independence of the Board members with reference to the guidelines set out in the Code, the Guidebook for Audit Committees in Singapore issued by the Audit Committee Guidance Committee and any other salient factors.

Following its review, the NC has affirmed the independence of Mr Chua Hung Meng, Mr Sun Lu Kwang and Mr Koh Choon Kong.

In respect of determining independence of Mr Chua and Mr Tan, the NC has taken in consideration that the Company's has undertaken a reconstitution of Board members and management team following the Company's expansion into the steel business in 2011 and both of Mr Chua and Mr Tan have throughout their appointment, continuously and constructively challenged management on business decisions and have remained objective in the discharge of his duties and responsibilities. Furthermore, none of them has any relationship with the Company, its related companies, its 10% shareholders or its officer that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgements in the best interests of the Company.

In addition, the NC is satisfied that the present Board size and complementary expertise, skills and experience of the various Board members are optimal and serve the Company well.

The Board did not fix the maximum number of listed company board representations and other principal commitments which any Director may hold as currently, none of the Directors hold more than 2 directorships or major appointments in other listed companies and each of the Directors is able to and has been devoting sufficient time to discharge his responsibilities adequately. However, the Board will fix the maximum number of listed company board representations and other principal commitments which any Director may hold when the Board deems it to be necessary.

CORPORATE GOVERNANCE REPORT

1. BOARD MATTERS (continued)

Board Membership (continued)

Name of Director	Date of First Appointment	Date of Last Re-election	Present Directorships and Chairmanships in Other Listed Companies and Major Appointments	Past 3 Years Directorships and Chairmanships in Other Listed Companies and Major Appointments
Wu Dingrong	27 April 2012	30 April 2013	Nil	Nil
Lee Wan Sing	29 November 2012	30 April 2013	Nil	Nil
Sun Lu	26 September 2012	30 April 2013	Nil	Nil
Ong Wee Chuan	26 September 2012	30 April 2013	Nil	Nil
Chua Hung Meng	30 September 2004	27 April 2012	1. Lizhong Wheel Group Ltd. (Independent Director) 2. World Toilet Organization	1. Oceanus Group Limited (Independent Director) (Resigned on 1 August 2013)
Tan Song Kwang	23 February 2004	30 April 2013	Nil	1. China Paper Holdings Limited (Independent Director) (Resigned on 24 January 2014)
Koh Choon Kong	1 December 2011	27 April 2012	China Sunsine Chemical Holdings Ltd. (Independent Director)	1. EMS Energy Limited (Chief Financial Officer) 2. Fuxing China Group Limited (Chief Financial Officer)

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC has established and continued the appraisal process for assessing the performance and effectiveness of the Board as a whole, the Board committees and the contribution of individual Directors. The assessment parameters include, inter alia, conduct of meetings, corporate strategy and planning, risk management and internal controls, attendance at meetings, adequacy of preparation for meetings and participation at discussions. The NC is of the view that each individual Director has contributed to the effectiveness of the Board as a whole.

The results of the evaluation are used constructively by the NC to identify areas of improvements on the areas lacking in the corporate governance standards and recommend to the Board the appropriate action.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or his re-nomination as Director.

CORPORATE GOVERNANCE REPORT

1. BOARD MATTERS (continued)

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Board is furnished with detailed management accounts on half-yearly basis. Board papers are prepared for each meeting and are disseminated to the Directors in advance of the meetings for them to be adequately prepared for the meetings. In addition, all other relevant information on material events and transactions are circulated by electronic mail and facsimile to all Directors for review and approval in a timely manner.

All Board members have direct and independent access to the Company Secretary and other management staff of the Group. The Company Secretary or his representatives attend all Board and Board Committees Meetings and assist the Chairman in ensuring that proper procedures at such meetings are followed and advise on the requirements of the Singapore Companies Act, the Listing Manual Section B: Rules of Catalist of the Singapore Securities Exchange Trading Limited ("**SGX-ST**") ("**Catalist Rules**") and other rules and regulations that are applicable to the Company. The appointment and removal of the Company Secretary are subject to the approval of the Board.

Subject to the approval of the Board, each Director has the right to consult independent professional advice to assist them in discharging their duties and responsibilities as a Director of the Company if deemed necessary. Any expense incurred in this aspect shall be borne by the Company.

2. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC consists of the following four members, of whom three are Independent Directors:

Mr Koh Choon Kong (Chairman –Independent Director)
Mr Chua Hung Meng (Member – Independent Director)
Mr Tan Song Kwang (Member – Independent Director)
Mr Wu Dingrong (Member – Non-Executive Chairman)

The RC carries out its duties in accordance with a set of terms of reference which includes the following:

- reviewing and recommending to the Board, a framework of remuneration policies to determine the specific remuneration packages and terms of employment for each of the Directors and key management executives and the implementation of any appropriate performance-related elements to be incorporated in the remuneration framework; and

- carrying out its duties in the manner that it deems expedient, subject always to any restrictions that may be imposed upon the RC by the Board from time to time.

CORPORATE GOVERNANCE REPORT

2. REMUNERATION MATTERS (continued)

Procedures for Developing Remuneration Policies (continued)

The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors and key management executives. The recommendations of the RC are submitted to the Board for endorsement. All aspects of remuneration, including, but not limited to, Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind are reviewed by the RC.

No Director is involved in the review of his own remuneration package. Each member of the RC abstains from voting on any resolutions in respect of his remuneration package.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

In structuring and approving appropriate remuneration packages, the RC would take into account factors such as pay and employment conditions within the industry, roles and responsibilities of each Director and the need to link rewards to performance.

The Non-Executive Directors (including Independent Directors and Non-Independent Directors) do not have any service contracts and accordingly do not receive any salary. They are paid a director's fee, which is recommended by the RC and submitted to the Board for endorsement. The directors' fees to be paid for any one year are submitted for shareholders' approval at the AGM.

The Executive Directors do not receive directors' fees. Each Executive Director's remuneration comprises a basic salary component and a variable bonus component based on the performance of the Group. The Company has entered into separate service agreements with our two Executive Directors and will renew their service agreements on a yearly basis. The service agreements allow termination by either party upon giving written notice of not less than three months.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

CORPORATE GOVERNANCE REPORT

2. REMUNERATION MATTERS (continued)

Disclosure on Remuneration (continued)

A breakdown showing the level and mix of the remuneration of each individual Director and key executive within the S$250,000 and below band for FY2013 is given below:

(Below S$250,000)	Fee* %	Salary %	Variable Bonus %	Benefits in Kind %	Total %
Executive Directors					
Lee Wan Sing	–	100	–	–	100
Sun Lu	–	100	–	–	100
Non-Executive and Independent Directors					
Chua Hung Meng	100	–	–	–	100
Tan Song Kwang	100	–	–	–	100
Koh Choon Kong	100	–	–	–	100
Non-Executive and Non-Independent Directors					
Wu Dingrong	–	–	–	–	–
Ong Wee Chuan	100	–	–	–	100

Note:
* There has been an increase in the Directors' fees. Therefore, the increased amount will be subject to the shareholders' approval at the forthcoming AGM.

Key Executives (Below S$250,000)	Salary %	Variable Bonus %	Benefits in Kind %	Total %
Lee Ong	100	–	–	100
Zhang Minghui	100	–	–	100
Chin Yee Chow	100	–	–	100
Wu Dingcheng	–	–	–	–
Zhang Jianhong	100	–	–	100

To maintain confidentially the remuneration policies of the Company, the Board is of the view that it is in the best interests of the Company not to fully disclose the remuneration of each individual Director and key management executive.

Currently, the Company does not have any employee share option schemes or other short-term or other long-term incentive scheme for Directors and key executives.

The remuneration package of each of the Company's Executive Directors, is based on terms stipulated in his service contract. Each of their service contracts with the Company is for a fixed period.

The Company's Non-Executive and Non-Independent Directors were not paid any director's fees for the financial year ended 31 December 2012. In view of the increase in responsibilities on the Group's Non-Executive Directors arising from the Group's various expansion activities in the financial year ended 31 December 2013 and their contributions, the RC has recommended to the Board Directors' fees to the Non-Executive and Non-Independent Director,

CORPORATE GOVERNANCE REPORT

2. REMUNERATION MATTERS (continued)

Disclosure on Remuneration (continued)

Mr Ong Wee Chuan for the financial year ended 31 December 2013 in the amount of S$40,000. This recommendation will be tabled for shareholders' approval at the forthcoming AGM.

The Directors' fees to the Company's Independent Directors approved by shareholders at the last AGM of the Company held on 30 April 2013 for the financial year ended 31 December 2013 is S$115,000. In view of the increase in responsibilities on the Group's Non-Executive Directors arising from the Group's various expansion activities in the financial year ended 31 December 2013 and their contributions, the RC has recommended to the Board, Directors' fees to the Independent Directors for the financial year ended 31 December 2013 be increased by S$15,000. This recommendation will be tabled for shareholders' approval at the forthcoming AGM.

There are no termination, retirement and post-employment benefits that may be granted to Directors and key executives.

The total remuneration paid to the above top key executives for FY2013 was approximately S$420,000.

The remuneration of Miao Lina, who is the adopted daughter of Mr Wu Dingrong, falls within the bands of S$50,000 to S$100,000 during the financial year under review. Save as disclosed, there are no other employees who are immediate family members of a Director and whose remuneration exceed S$50,000.

3. ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is accountable to the shareholders while the Management is accountable to the Board.

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position, prospects, operations and financial position and updates shareholders through its half yearly and full year results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Risk Management

The Board oversees the Company's risk management policies in areas of significant risk to the Company's operations and puts in place the risk management practices to address these risks. The practice of risk management is undertaken by the Executive Directors and senior executives of each business division under the purview of the Board.

CORPORATE GOVERNANCE REPORT

3. ACCOUNTABILITY AND AUDIT (continued)

Risk Management and Internal Controls (continued)

(i) Operational risks

Management regularly reviews and improves the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Internal Auditor will complement the role of the risk management by providing an independent perspective on the controls that help to mitigate any operational risks. All significant matters identified by the Management and the Internal Auditor will be highlighted to the Board and the AC.

(ii) Compliance and legal risks

The Group recognises the risks associated with changes in laws and regulations and had reviewed its business plans in the light of legal and regulatory changes in the year. The Group will continue to monitor legal and regulatory changes to keep abreast with developments that may have an impact on its business and operations.

(iii) Financial risks

The Group's financial risk management is discussed under Note 23 of the Notes to the Financial Statements, on pages 70 to 75 of the Annual Report.

(iv) Information technology risks

The Group recognises the risk especially in the domain of disaster recovery of IT systems. IT security risk assessments are carried out on a regular basis and mitigation actions are documented in a risk treatment plan.

The Board is satisfied with the risk management practice in FY2013 and that risks facing by the Group had been adequately addressed.

Internal Control

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, assurance from management and reviews performed by the management team, the Board, with the concurrence of the Audit Committee is of the opinion that the Group's internal controls, including financial, operational and compliance and information technology controls, and risk management systems, were adequate as at 31 December 2013.

The Board has received assurance from the Executive Director and Financial Controller that:

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) the Company maintains an effective risk management and internal control systems.

CORPORATE GOVERNANCE REPORT

3. ACCOUNTABILITY AND AUDIT (continued)

Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

Currently, the AC comprises the following three members and all three are Independent Directors:–

Mr Chua Hung Meng (Chairman – Independent Director)
Mr Tan Song Kwang (Member – Independent Director)
Mr Koh Choon Kong (Member – Independent Director)

The Board is of the view that the AC members have sufficient accounting, finance and business management expertise and experience to discharge their responsibilities.

The AC has adopted terms of reference endorsed by the Board to perform, *inter alia*, the following functions:

- reviewing the audit plans, scope of examination and findings of the internal and external auditors.
- reviewing the adequacy of the Group's internal control systems and the effectiveness of the internal audit function.
- reviewing the Group's half-year and full-year result announcements and its annual financial statement before submission to the Board for adoption.
- evaluating the independence and performance of the external auditors and nominate them for reappointment, where appropriate.
- reviewing the interested persons transactions to ensure these transactions are carried out on arm's length basis and on normal commercial terms.

The AC has full access to and co-operation from the Management, internal and external auditors. The AC also has explicit power to investigate any matter brought to its attention within its terms of reference, and will be granted reasonable resources to enable it to discharge its function properly including seeking external professional advice.

The AC meets with the internal auditors and external auditors separately, at least once a year, without the presence of the Management.

During the financial year under review, the remuneration paid/payable to the Company's external auditors, Messrs KPMG LLP, is set out below:

Service Category	Fees Paid/Payable RMB'000
Audit Service	1,509
Non-Audit Service	45
Total	1,554

CORPORATE GOVERNANCE REPORT

3. ACCOUNTABILITY AND AUDIT (continued)

Audit Committee (continued)

The AC has reviewed all non-audit services provided by the external auditors during the financial year ended 31 December 2013 and is satisfied that such services would not affect their independence. As such, the AC has recommended to the Board that Messrs KPMG LLP be nominated for re-appointment as external auditors at the forthcoming AGM. The Company has complied with Rule 712 and 715 of the Catalist Rules.

The Company has put into place a whistle-blowing framework, endorsed by the AC, where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters such as possible corruption, suspected fraud and other non-compliance issues. The AC will address the issues and/or concerns raised and ensure that necessary arrangements are in place for the independent investigation of issues and/or concerns raised by the employees and for appropriate follow-up actions. Details of the whistle-blowing policies and arrangements have been made available to the Group's employees.

As of to-date, no reports have been received through the whistle-blowing mechanism.

During the year under review, the AC met two times. Details of members and their attendance at meetings are provided in page 15. The Group Financial Controller, internal auditors and external auditors are invited to these meetings. Other members of senior management are also invited to attend as appropriate to present reports. During FY2013, the AC had one meeting with internal auditors and one meeting with external auditors separately, without the presence of management. These meetings enable the internal auditors and external auditors to raise issues encountered in the course of their work directly to the AC.

Before the release of the Company's half-year and full-year results, the AC meets to review the results announcement together with the management of the Company prior to its recommendations to the Board for approval. Any changes to accounting standards and issues which have a direct impact on financial statements will be raised at such meetings.

The AC has reviewed all "interested person transactions" (as defined in Chapter 9 of the Catalist Rules) during the financial year ended 31 December 2013 and is of the opinion that Chapter 9 of the Catalist Rules has been complied with.

The AC members take measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements, with training conducted by professionals or external consultants.

In the event that a member of the AC is interested in any matter being considered by our AC, he will abstain from participating in the proceedings in relation to that particular transaction and voting on that particular resolution.

Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The AC approves the appointment of the internal auditor. During the financial year, the Company has continued to engage Messrs Baker Tilly Consultancy (S) Pte. Ltd. to undertake its internal audit function. The AC, with the participation of the Board, has reviewed the effectiveness of the Group's system of internal controls in light of key business and financial risks affecting the operations.

The internal auditor report's primarily to the Chairman of the AC and administratively to the Singapore based Executive Director. The internal auditors plan their internal audit schedules in consultation with, but independently of, the Management. The internal audit plan is submitted to the AC for approval at the beginning of the financial year.

CORPORATE GOVERNANCE REPORT

4. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

All shareholders are treated fairly and equitably to facilitate their ownership rights. In line with the continuing disclosure obligations of the Company pursuant to the Catalist Rules and the Companies Act, Chapter 50 of Singapore, the Board's policy is that all shareholders should be informed in a comprehensive manner and on a timely basis of all material developments that impact the Group.

Shareholders can vote in person or appoint not more than two (2) proxies to attend and vote on their behalf at general meetings of shareholders. There is no provision in the Company's Articles that limits the number of proxies for nominee companies.

Communication with shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Communication with shareholders is managed by the Board. All announcements are released via SGXNET, including the half-year and full-year financial results, distribution of notices, press releases, analyst briefings, presentations, announcement on acquisitions and other material developments.

The Company does not practise selective disclosure and price sensitive information is publicly released on an immediate basis where required under the Catalist Rules. In addition, all shareholders will receive the Company's annual reports together with the notices of AGM, which are also accessible through SGXNET. The notice of AGM is also advertised in the newspapers.

The Company does not have a fixed dividend policy. The payment of dividend is deliberated at length by the Board annually after taking into consideration its financial position and future capital expenditure.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Shareholders are encouraged to attend AGMs to ensure greater shareholders' participation. During the AGM, shareholders are given opportunity to post their views and raise questions regarding the Group's operation. The Chairman of the Board and other members are in attendance at the AGM to address any question raised. The chairpersons of, AC, RC and NC will be available at the forthcoming AGM to answer questions relating to the work of these committees.

The Company's external auditors will also be present to assist the Directors in addressing any relevant queries raised by shareholders regarding the conduct of audit and the preparation and content of the auditors' report.

Separate resolutions on each distinct issue are proposed at general meetings for approval. If any shareholder is unable to attend, he is allowed to vote at the meeting in absentia through the appointment of one or two proxies.

CORPORATE GOVERNANCE REPORT

5. DEALING IN SECURITIES

The Company has adopted an internal guideline to provide guidance to all Directors, the Management and officers of the Group with regard to dealings in the Company's securities in compliance with the best practices stated in Rule 1204(19) of the Catalist Rules. The Company and the Directors, the Management and officers of the Company who have access to price sensitive information are not permitted to deal in the Company's securities during the period commencing one month before the announcement of the Company's half-year and full-year results and ending on the date of announcement of such results. They are also advised to observe insider trading laws at all times even when dealing in the Company's securities within the permitted trading period.

6. INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are carried out on an on an arm's length. The Group has obtained a general mandate from shareholders for Interested Person Transactions (including the Off Take Agreement) on 30 April 2013. Interested person transactions entered into for FY2013 were:

CORPORATE GOVERNANCE REPORT

6. INTERESTED PERSON TRANSACTIONS (continued)

Name of 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) RMB'000**	**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**
Acquisition of 72.1% equity interest in 兴化市荣澄精密铸造有限公司(Xinghua Rongcheng Precision Manufacturing Co., Ltd.) ("Xinghua Rongcheng") from Wu Dingrong(1), Miao Lina(1), Sun Lu(1), Wu Dingcheng(1) and Wu Xiaodong(1). The acquisition cost for the entire interest is RMB55,000,000. Total deemed IPT would be approximately RMB39,655,000. The acquisition has been approved by the shareholders in the extraordinary general meeting on 6 April 2013.	39,655	-
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 shareholders' mandate for Interested Person Transactions (including the Off Take Agreement) approved on 30 April 2013.	-	11,274
Sales of steel related products to 江阴市荣达经贸有限公司* (Jiangyin Rongda Jingmao Co., Ltd.) The transaction was conducted under the shareholders' mandate for Interested Person Transactions (including the Off Take Agreement) approved on 30 April 2013.	-	178,086
Lease of production equipment from 江阴市鼎盛金属压延有限公司 (Jiangyin Dingsheng Jinshu Yayan Co., Ltd)(2)	1,258	-

Save as disclosed in this paragraph, there were no interested person transactions entered into by the Group during the financial year ended 31 December 2013 (other than transactions less than S$100,000).

Notes:

* 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.

CORPORATE GOVERNANCE REPORT

6. INTERESTED PERSON TRANSACTIONS (continued)

(1) Wu Dingrong, who is the Non-executive Chairman and the Controlling Shareholder of the Company, holds 48.5% equity interest in Xinghua Rongcheng and his Associates, namely Miao Lina, Sun Lu, Wu Dingcheng and Wu Xiaodong, who are the adopted daughter, son-in-law, brother and nephew of Wu Dingrong respectively. Miao Lina, Sun Lu, Wu Dingcheng and Wu Xiaodong hold 2.0%, 4.0%, 7.6% and 10.0% equity interest in Xinghua Rongcheng respectively. Therefore, Wu Dingrong and his Associates collectively own 72.1% equity interest in Xinghua Rongcheng.

(2) 江阴市鼎盛金属压延有限公司 (Jiangyin Dingsheng Jinshu Yayan Co., Ltd) has ceased to be interested party following the disposal of the equity interests in Jiangyin Dingsheng Jinshu Yayan Co., Ltd by Jiangyin Jincheng Steel Co., Ltd. on 23 May 2013.

7. MATERIAL CONTRACTS

Save as disclosed in paragraph 6 above, there are no material contracts of the Company or its subsidiaries involving the interest of any Director or Controlling Shareholder which are either still subsisting at the end of FY2013 or if not then subsisting, entered into since the end of previous financial year.

8. USE OF PROCEEDS

The Company has on 30 July 2012 entered into a subscription agreement for the issue of on aggregated of S$2.9 million (net of issuance cost of S$0.1 million) of 3-year convertible notes ("Convertible Notes"). On 16 April 2013, the company has completed the issue of 179,166,667 ordinary shares by a way of share placement exercise ("Placement"). The entire net proceeds from the placement was S$21.4 million.

The total net proceeds of S$24.3 million has been utilized to support the Group's expansion activities in accordance with the intended use as stated in the Company's announcement dated 30 July 2012 and Company's circular 22 March 2013.

Total Net Proceeds:	Amount (SGD' million)
The net proceeds received from the Convertible Notes Issued	2.9
The net proceeds received from the Share Placement	21.4
Total net proceeds	24.3
Amount utilised as of 31 December 2013:	
Used in:	
Acquisition of Xinghua Rongcheng	11.2
Expenses pertaining to the acquisition of Xinghua Rongcheng	0.1
Purchase of property, plant and equipment	10.1
Used in working capital:	
Inventory	2.9
Total	24.3

9. CATALIST SPONSOR

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. The continuing sponsor of the Company is CNP Compliance Pte Ltd ("**Sponsor**"). There was no non-sponsor fee paid to the Sponsor by the Company for the financial year ended 31 December 2013.

DIRECTORS' REPORT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2013.

Directors

The directors in office at the date of this report are as follows:

Wu Dingrong (Non-Executive Chairman)
Lee Wan Sing
Sun Lu
Ong Wee Chuan
Chua Hung Meng
Tan Song Kwang
Koh Choon Kong

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations are as follows:

	Holdings in the name of the director, spouse or infant children		Other holdings in which the director is deemed to have an interest	
Name of director and corporation in which interests are held	**At beginning of the year**	**At end of the year**	**At beginning of the year**	**At end of the year**
The Company				
Ordinary shares				
Wu Dingrong	–	–	30,000,000	77,986,667
Lee Wan Sing	–	–	4,002,520	4,002,520
Sun Lu	–	–	30,000,000	77,986,667
Ong Wee Chuan	–	–	5,000,000	5,000,000

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2014.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REPORT

Except for salaries and fees and those benefits that are disclosed in the accompanying financial statements and in Supplementary Information note 2 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share options

During the financial year, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

Audit committee

The members of the Audit Committee during the year and at the date of this report are:

- Chua Hung Meng (Chairman), independent director
- Tan Song Kwang, independent director
- Koh Choon Kong, independent director

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee has held 2 meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;

- semi-annual financial information and annual financial statements of the Group and the Company prior to their submission to the Board of Directors of the Company for adoption; and

- all interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the fourthcoming Annual General Meeting of the Company.

DIRECTORS' REPORT

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Wu Dingrong
Director

Lee Wan Sing
Director

10 April 2014

STATEMENT BY DIRECTORS

In our opinion:

(a) the financial statements set out on pages 37 to 78 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Wu Dingrong
Director

Lee Wan Sing
Director

10 April 2014

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
ORIENTAL GROUP LTD.

Report on the financial statements

We have audited the accompanying financial statements of Oriental Group Ltd. (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 37 to 78.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results, changes in equity and cash flows of the Group for the year ended on that date.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
ORIENTAL GROUP LTD.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
10 April 2014

BALANCE SHEETS

AS AT 31 DECEMBER 2013

		Group		Company	
	Note	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Assets					
Property, plant and equipment	4	**108,168**	2,941	**2,048**	–
Lease prepayments	5	**24,285**	–	**–**	–
Intangible assets	6	**44**	29	**–**	–
Subsidiaries	7	**–**	–	**1**	1
Non-current assets		**132,497**	2,970	**2,049**	1
Inventories	8	**36,088**	24,366	**–**	–
Trade and other receivables	9	**129,902**	80,719	**173,811**	65,868
Cash and cash equivalents	10	**16,620**	5,211	**3,815**	157
Current assets		**182,610**	110,296	**177,626**	66,025
Total assets		**315,107**	113,266	**179,675**	66,026
Equity					
Share capital	11	**179,491**	72,333	**179,491**	72,333
Reserves	12	**(10,766)**	(14,658)	**(26,961)**	(23,452)
Equity attributable to owners of the Company		**168,725**	57,675	**152,530**	48,881
Non-controlling interests		**(496)**	(64)	**–**	–
Total equity		**168,229**	57,611	**152,530**	48,881
Liabilities					
Loans and borrowings	13	**13,612**	13,899	**13,612**	13,899
Non-current liabilities		**13,612**	13,899	**13,612**	13,899
Trade and other payables	14	**106,971**	40,316	**10,541**	3,246
Loans and borrowings	13	**23,992**	–	**2,992**	–
Current tax payable		**2,303**	1,440	**–**	–
Current liabilities		**133,266**	41,756	**13,533**	3,246
Total liabilities		**146,878**	55,655	**27,145**	17,145
Total equity and liabilities		**315,107**	113,266	**179,675**	66,026

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2013

	Note	2013 RMB'000	2012 RMB'000
Revenue	15	**439,146**	166,959
Cost of sales		**(403,579)**	(151,555)
Gross profit		**35,567**	15,404
Other income		**730**	–
Distribution expenses		**(4,440)**	(798)
Administrative expenses		**(18,310)**	(9,022)
Other expenses		**(144)**	(146)
Results from operating activities		**13,403**	5,438
Finance income	16	**29**	73
Finance expense	16	**(2,794)**	(862)
Net finance expense		**(2,765)**	(789)
Profit before income tax		**10,638**	4,649
Income tax expense	17	**(6,379)**	(3,281)
Profit for the year	18	**4,259**	1,368
Profit attributable to:			
Owners of the Company		**4,756**	1,432
Non-controlling interests		**(497)**	(64)
Profit for the year		**4,259**	1,368
Other comprehensive income for the year			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences on liquidation of subsidiary reclassified to profit or loss		**–**	184
Translation differences relating to financial statements of entities with functional currency other than RMB		**(864)**	–
Total comprehensive income for the year, net of tax		**3,395**	1,552
Total comprehensive income attributable to:			
Owners of the Company		**3,892**	1,616
Non-controlling interests		**(497)**	(64)
Total comprehensive income for the year, net of tax		**3,395**	1,552
Earnings per share			
Basic earnings per share (RMB cents)	19	**1.41**	0.69
Diluted earnings per share (RMB cents)	19	**1.41**	0.69

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2013

	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Foreign currency trans-lation reserve RMB'000	Acc-umulated losses RMB'000	Attribut-able to owners of the Company RMB'000	Non-cont-rolling interests RMB'000	Total equity RMB'000
At 1 January 2012	72,333	574	–	(184)	(18,264)	54,459	–	54,459
Total comprehensive income for the year								
Profit for the year	–	–	915	–	517	1,432	(64)	1,368
Other comprehensive income:								
Foreign currency translation difference	–	–	–	184	–	184	–	184
Total comprehensive income for the year	–	–	915	184	517	1,616	(64)	1,552
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Issue of convertible notes - Equity component (Note 12)	–	1,600	–	–	–	1,600	–	1,600
Total contributions by and distributions to owners	–	1,600	–	–	–	1,600	–	1,600
Total transactions with owners of the Company	–	1,600	–	–	–	1,600	–	1,600
At 31 December 2012	**72,333**	**2,174**	**915**	**–***	**(17,747)**	**57,675**	**(64)**	**57,611**

* *Less than RMB1,000*

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2013

	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Foreign currency trans-lation reserve RMB'000	Acc-umulated losses RMB'000	Attribut-able to owners of the Company RMB'000	Non-con-trolling interests RMB'000	Total equity RMB'000
At 1 January 2013	72,333	2,174	915	–*	(17,747)	57,675	(64)	57,611
Total comprehensive income for the year								
Profit for the year	–	–	1,841	–	2,915	4,756	(497)	4,259
Other comprehensive income:								
Foreign currency translation difference	–	–	–	(864)	–	(864)	–	(864)
Total comprehensive income for the year	–	–	1,841	(864)	2,915	3,892	(497)	3,395
Transactions with owners, recorded directly in equity								
Changes in ownership interests in subsidiaries								
Disposal of subsidiary	–	–	–	–	–	–	64	64
Incorporation of subsidiaries with non-controlling interests	–	–	–	–	–	–	1	1
Total changes in ownership interests in subsidiaries	–	–	–	–	–	–	65	65
Contributions by and distributions to owners								
Issue of share (Note 11)	107,446	–	–	–	–	107,446	–	107,446
Share issue cost (Note 11)	(288)	–	–	–	–	(288)	–	(288)
Total contributions by and distributions to owners	107,158	–	–	–	–	107,158	–	107,158
Total transactions with owners of the Company	107,158	–	–	–	–	107,158	65	107,223
At 31 December 2013	**179,491**	**2,174**	**2,756**	**(864)**	**(14,832)**	**168,725**	**(496)**	**168,229**

* *Less than RMB1,000*

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2013

	Note	2013 RMB'000	2012 RMB'000
Cash flows from operating activities			
Profit after income tax		**4,259**	1,368
Add: income tax expenses		**6,379**	3,281
Profit before income tax		**10,638**	4,649
Adjustments for:			
Gain on disposal of subsidiary [1]		**(108)**	–
Property, plant and equipment written off		**9**	–
Depreciation of property, plant and equipment		**4,557**	561
Amortisation of lease prepayments		**253**	–
Amortisation of intangible assets		**27**	15
Interest income		**(29)**	(73)
Interest expense		**2,164**	711
Unrealised foreign exchange loss in relation to convertible loan notes		–	77
		17,511	5,940
Changes in:			
- inventories		**(11,722)**	(8,405)
- trade and other receivables		**205,803**	(39,009)
- trade and other payables		**(216,337)**	(5,341)
Cash used in operations		**(4,745)**	(46,815)
Income taxes paid		**(5,946)**	(1,841)
Net cash used in operating activities		**(10,691)**	(48,656)
Cash flows from investing activities			
Interest received		**29**	73
Acquisition of subsidiary, net of cash	21	**(48,550)**	–
Purchase of prepaid lease		**(408)**	–
Purchase of property, plant and equipment		**(49,680)**	(3,291)
Purchase of intangible assets		**(42)**	–
Disposal of subsidiaries, net of cash [1]		**(1,085)**	31,098
Net cash (used in)/from investing activities		**(99,736)**	27,880
Cash flows from financing activities			
Capital contribution from non-controlling interest		**1**	–
Proceeds from issue of share capital		**107,158**	–
Proceeds from bank borrowings		**17,992**	–
Deposits pledged		**(9,038)**	–
Interest paid		**(1,693)**	–
Convertible loan notes		**–**	15,228
Net cash from financing activities		**114,420**	15,228
Net increase/(decrease) in cash and cash equivalents		**3,993**	(5,548)
Cash and cash equivalents at beginning of the year		**5,211**	10,589
Effect of exchange rate fluctuation on cash		**(1,622)**	170
Cash and cash equivalents at end of the year	10	**7,582**	5,211

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2013

[1] The effect of disposal of subsidiary is set out below:

	2013 RMB'000
Total assets	
Other receivables and prepayments	21
Cash and cash equivalents	1,085
	1,106
Total liabilities	
Accruals	(84)
Amount due to Oriental Group Ltd.	(1,233)
	(1,317)
Net liabilities	(211)
Non-controlling interest	103
Gain on disposal of subsidiary	(108)
Consideration received	– *
Less: Cash and cash equivalents disposed	(1,085)
Net cash outflow on disposal of subsidiary	(1,085)

* *Less than RMB1,000*

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 10 April 2014.

1 Domicile and activities

Oriental Group Ltd. (the Company) is a company incorporated in the Republic of Singapore. The address of the Company's registered office is 10, Upper Aljunied Link #04-09, Singapore 367904.

The financial statements of the Group as at and for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The principal activities of the Company are investment holding and wholesale of metal products.

The principal activities of the Group are those relating to providing value-added services relating to, as well as the procurement and supply of metal products such as mild steel round bars, high tensile deformed bars, angle bars and flat bars used in the industrial and construction industries in the People's Republic of China (PRC) and the South-East Asia region.

2 Basis of preparation

2.1 **Statement of compliance**

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS).

2.2 **Basis of measurement**

The financial statements have been prepared on the historical cost basis except as otherwise described below.

2.3 **Functional and presentation currency**

With effect from 1 January 2013, as a result of a change in underlying transactions, events and conditions relevant to the Company, the functional currency of the Company has been changed from Chinese Renminbi (RMB) to Singapore Dollars (SGD). The presentation currency for the Group financial statements remains in RMB.

All financial information presented in RMB have been rounded to the nearest thousand, unless otherwise stated.

2.4 **Use of estimates and judgements**

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is described in note 24.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained below, which address changes in accounting policies:

Presentation of items of other comprehensive income

From 1 January 2013, as a result of the amendments to FRS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly.

The adoption of the amendment to FRS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

3.1 **Basis of consolidation**

Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

3.1 **Basis of consolidation** (continued)

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting for subsidiaries

Investments in subsidiaries are stated in the Company's balance sheet at cost less accumulated impairment losses.

3.2 **Foreign currencies**

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

3.2 **Foreign currencies** (continued)

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to SGD at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to SGD at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains or losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

3.3 **Non-derivative financial assets**

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group's non-derivative financial assets are mainly classified as loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, pledged deposits are excluded in cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

3.4 **Non-derivative financial liabilities**

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. Financial liabilities for contingent consideration payable in a business combination are recognised at the acquisition date. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, and trade and other payables.

3.5 **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.6 **Compound financial instruments**

Compound financial instruments issued by the Group comprise convertible notes denominated in Singapore dollars that can be converted to share capital at the option of the holder, where the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interests and gains and losses related to the financial liability component are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

3.7 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, when the Group has an obligation to remove or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Leasehold buildings	20 to 50 years
Plant and machinery	5 to 10 years
Furniture, fittings and equipment	10 years
Computers	5 years
Motor vehicles	5 years
Leasehold improvements	5 years

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

3.7 **Property, plant and equipment** (continued)

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted if appropriate.

Capital work-in-progress is not depreciated until the related property, plant and equipment is available for use.

3.8 ***Lease prepayments***

Leases of land use rights are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis so as to write off the costs over their useful lives ranging from 40 to 50 years.

3.9 **Intangible assets – computer software**

Computer software licenses are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditure, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is recognised as a capital improvement and added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense as incurred.

Computer software licenses are subsequently carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on the straight-line method so as to write-off the costs of the computer software over their estimated useful lives of three years.

The useful life and amortisation method are reviewed at each reporting date to ensure that the period of amortisation and amortisation method are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the computer software.

3.10 **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

3.11 **Impairment of non-derivative financial assets**

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) had a negative effect on the estimated future cash flow of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.12 **Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that its non-financial assets, other than inventories, may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

3.12 **Impairment of non-financial assets** (continued)

Impairment losses are recognised in profit or loss. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. If that is the case, the impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years. Such reversal is recognised in profit or loss. After such a reversal, the depreciation or amortisation charged is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

3.13 **Employee benefits**

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.14 **Revenue recognition**

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Sale of scrap metal

Revenue from sales of scrap metal is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

3.14 **Revenue recognition** (continued)

Commission income

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group. Commission income is recognised when service have been rendered and the Group does not have any further specific performance obligations.

Dividends

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

3.15 **Leases**

When entities within the Group are lessees of an operating lease

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

3.16 **Finance income and finance expense**

Finance income comprises interest income on bank balances. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expense comprises interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

Foreign currency gain and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance expense depending on whether foreign currency movements are in a net gain or net loss position.

3.17 **Income tax expense**

Income tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

3.17 **Income tax expense** (continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.18 **Earnings per share**

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares and convertible notes.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

3.19 **Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

3.20 **New standards and interpretations not adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

4 Property, plant and equipment

Group	Lease-hold buildings RMB'000	Plant and mac-hinery RMB'000	Furniture, fittings and equipment RMB'000	Com-puters RMB'000	Motor vehicles RMB'000	Lease-hold improve-ments RMB'000	Capital work-in-progress RMB'000	Total RMB'000
Cost								
At 1 January 2012	–	2,109	80	36	–	347	26	2,598
Additions	–	484	52	–	–	139	371	1,046
Written off	–	–	–	(36)	–	–	–	(36)
At 31 December 2012	–	2,593	132	–	–	486	397	3,608
Additions	–	25,058	663	77	117	2,336	21,429	49,680
Acquisition of subsidiary	15,007	–	625	–	–	–	44,480	60,112
Written off	–	(11)	–	–	–	–	–	(11)
Reclassification	18,739	42,350	148	–	–	–	(61,237)	–
At 31 December 2013	33,746	69,990	1,568	77	117	2,822	5,069	113,389
Accumulated depreciation and impairment losses								
At 1 January 2012	–	100	–	36	–	6	–	142
Depreciation charge for the year	–	449	29	–	–	83	–	561
Written off	–	–	–	(36)	–	–	–	(36)
At 31 December 2012	–	549	29	–	–	89	–	667
Depreciation charge for the year	977	3,144	220	13	2	201	–	4,557
Written off	–	(2)	–	–	–	–	–	(2)
Effect of movement in exchange rate	–	–	–	–	–	(1)	–	(1)
At 31 December 2013	977	3,691	249	13	2	289	–	5,221
Carrying amounts								
At 1 January 2012	–	2,009	80	–	–	341	26	2,456
At 31 December 2012	–	2,044	103	–	–	397	397	2,941
At 31 December 2013	32,769	66,299	1,319	64	115	2,533	5,069	108,168

NOTES TO THE FINANCIAL STATEMENTS

4 **Property, plant and equipment** (continued)

Company	Furniture, fittings and equipment RMB'000	Computers RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost				
At 1 January 2012	–	36	–	36
Written off	–	(36)	–	(36)
At 31 December 2012	–	–	–	–
Additions	103	77	1,951	2,131
At 31 December 2013	103	77	1,951	2,131
Accumulated depreciation and impairment losses				
At 1 January 2012	–	36	–	36
Written off	–	(36)	–	(36)
At 31 December 2012	–	–	–	–
Depreciation charge for the year	5	13	66	84
Effect of movements in exchange rate	–	–	(1)	(1)
At 31 December 2013	5	13	65	83
Carrying amounts				
At 1 January 2012	–	–	–	–
At 31 December 2012	–	–	–	–
At 31 December 2013	98	64	1,886	2,048

NOTES TO THE FINANCIAL STATEMENTS

5 Lease prepayments

Group	Land use rights RMB'000
Cost	
At 1 January 2012 and 31 December 2012	–
Additions	10,471
Acquisition of subsidiary	14,067
At 31 December 2013	24,538
Accumulated amortisation and impairment losses	
At 1 January 2012 and 31 December 2012	–
Amortisation for the year	253
At 31 December 2013	253
Carrying amount	
At 1 January 2012	–
At 31 December 2012	–
At 31 December 2013	24,285

As at 31 December 2013, the Group has not received the title certificates of land use rights with a carrying amount of RMB4,299,000. Management is still in the process of obtaining these certificates and is of the opinion that the Group is entitled to lawfully and validly use these land use rights as at 31 December 2013.

Lease prepayments with a carrying amount of RMB7,112,000 are pledged as security in exchange for a bank loan (see note 13).

During the year, lease prepayments amounting to RMB10,063,000 was paid on the Group's behalf by a related party, Jiangyin Jincheng Steel Co., Ltd (Jincheng).

NOTES TO THE FINANCIAL STATEMENTS

6 Intangible assets

Group	Computer software RMB'000
Cost	
At 1 January 2012 and 31 December 2012	46
Additions	42
At 31 December 2013	88
Accumulated amortisation	
At 1 January 2012	2
Amortisation for the year	15
At 31 December 2012	17
Amortisation for the year	27
At 31 December 2013	44
Carrying amount	
At 1 January 2012	44
At 31 December 2012	29
At 31 December 2013	44

7 Subsidiaries

	Company	
	2013 RMB'000	2012 RMB'000
Equity investments, at cost	**1**	1

NOTES TO THE FINANCIAL STATEMENTS

7 Subsidiaries (continued)

Details of subsidiaries are as follows:

	Name of subsidiary	Country of incorporation	Effective equity held by the Group 2013 %	2012 %
	Oriental Investments Group Pte. Ltd.	Singapore	**100**	100
1	Oriental Zhetai (S) Pte. Ltd.	Singapore	**–**	51
2	OGL Steel (Philippines) Pte. Ltd.	Singapore	**55**	–
3	OGL Energy Pte. Ltd.	Singapore	**100**	–
	Jiangyin Chengsheng Machinery Manufacturing Co., Ltd. (Jiangyin Chengsheng)	People's Republic of China	**100**	100
4	Xinghua Xincheng Trading Co., Ltd. (Xinghua Xincheng)	People's Republic of China	**100**	–
5	Xinghua Rongcheng Precision Manufacturing Co., Ltd. (Xinghua Rongcheng)	People's Republic of China	**100**	–
6	OGL Steel (M) Sdn. Bhd.	Malaysia	**55**	–

[1] Disposed on 31 December 2013.
[2] Newly incorporated in Singapore on 7 January 2013.
[3] Newly incorporated in Singapore on 19 September 2013 and is not required to be audited for the current year by the laws of Singapore as the company is dormant since incorporation.
[4] Newly incorporated in People's Republic of China on 1 April 2013.
[5] Incorporated in People's Republic of China, newly acquired on 6 April 2013.
[6] Newly incorporated in Malaysia on 18 January 2013.

KPMG LLP is the auditor of all significant Singapore-incorporated subsidiaries. Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

NOTES TO THE FINANCIAL STATEMENTS

7 Subsidiaries (continued)

Incorporation of subsidiaries

In January 2013, the Company incorporated two 55% owned subsidiaries, OGL Steel (Philippines) Pte. Ltd. in Singapore with a share capital of USD100 (equivalent to RMB612), and OGL Steel (M) Sdn. Bhd. in Malaysia with a share capital of MYR100 (equivalent to RMB203), respectively. The principal activities of OGL Steel (Philippines) Pte. Ltd. are those relating to trading of steel products and materials for manufacturing steel products. The principal activities of OGL Steel (M) Sdn. Bhd. are those of stainless steel and carbon steel trading.

The Company's wholly owned subsidiary, Oriental Investments Group Pte. Ltd. has established two wholly-owned subsidiaries, Xinghua Xincheng incorporated in the People's Republic of China with a share capital of RMB88.5million, and OGL Energy Pte. Ltd. in Singapore with a share capital of SGD100 (equivalent to RMB484), in April 2013 and September 2013 respectively.

Disposal of subsidiary

In December 2013, the Company entered into an agreement with the non-controlling shareholder of Oriental Zhetai (S) Pte. Ltd., to sell its 51% interest in the subsidiary for a total cash consideration of RMB254.

The effect of disposal of subsidiary's net liabilities is set out in the consolidated statement of cash flows.

8 Inventories

	Group	
	2013 RMB'000	2012 RMB'000
Raw materials, at cost	**12,615**	2,666
Work-in-progress	**1,107**	–
Finished goods, at cost	**22,366**	21,700
	36,088	24,366

In 2013, raw materials and changes in finished goods recognised as cost of sales amounted to RMB360,429,000 (2012: RMB141,429,000). There is no write-down of inventories to net realisable value during the year (2012: Nil).

9 Trade and other receivables

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Trade receivables	**103,070**	33,187	**5,782**	–
Bills receivables	**8,293**	26,729	**–**	–
Net receivables	**111,363**	59,916	**5,782**	–
Value added tax recoverable	**3,377**	–	**–**	–
Other receivables	**12,239**	45	**6,272**	–
Other deposits	**406**	307	**380**	307
Amounts due from subsidiaries (non-trade)	**–**	–	**161,317**	65,524
Loans and receivables	**127,385**	60,268	**173,751**	65,831
Prepayments	**2,517**	20,451	**60**	37
	129,902	80,719	**173,811**	65,868

NOTES TO THE FINANCIAL STATEMENTS

9 Trade and other receivables (continued)

The non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

In 2012, included in the non-trade amounts due from subsidiaries was a loan amounting to RMB12,762,000 that was unsecured and bore interest at 8% per annum. From 1 January 2013, the Company amended the terms of the loan to be interest-free and repayable on demand.

The Group's primary exposure to credit risk arises through its trade receivables. At the reporting date, 5 (2012: 5) customers account for 84% (2012: 77%) of these outstanding receivables.

The ageing of loans and receivables at the reporting date was:

	Gross 2013 RMB'000	Impairment losses 2013 RMB'000	Gross 2012 RMB'000	Impairment losses 2012 RMB'000
Group				
No credit terms	**16,022**	**–**	352	–
Not past due	**99,735**	**–**	50,267	–
Past due 1 - 30 days	**6,954**	**–**	7,016	–
Past due 31 - 120 days	**3,888**	**–**	2,633	–
Past due 121 - 365 days	**738**	**–**	–	–
More than one year	**48**	**–**	–	–
	127,385	**–**	60,268	–
Company				
No credit terms	**167,969**	**–**	65,831	–
Not past due	**96**	**–**	–	–
Past due 31 - 120 days	**2,714**	**–**	–	–
Past due 121 - 365 days	**2,972**	**–**	–	–
	173,751	**–**	65,831	–

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of loans and receivables not past due or past due, which includes the amount owed by the Group's most significant customers, as they have a good payment record with the Group.

10 Cash and cash equivalents

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Cash at bank	**16,620**	5,211	**3,815**	157
Less: Deposits pledged	**(9,038)**	–	**(3,038)**	–
	7,582	5,211	**777**	157

Deposits pledged represent bank balances of the Company and a subsidiary in PRC pledged with financial institutions in PRC and Singapore for bank borrowings (see note 13) and trade financing facilities.

Induded in cash and cash equivalents balances are RMB12.4 million (2012: RMB2.9 million) held in a country which operates foreign exchange controls.

NOTES TO THE FINANCIAL STATEMENTS

11 Share capital

	Group and Company 2013 No. of shares	2012 No. of shares
Fully paid ordinary shares, with no par value:		
At 1 January	**208,564,203**	208,564,203
Issued for cash	**179,166,667**	–
At 31 December	**387,730,870**	208,564,203

On 6 April 2013, the Company obtained shareholders' approval to issue 179,166,667 shares to private investors at SGD0.12 per share and the share placement was completed on 16 April 2013. Total proceeds amounted to SGD21.5 million (approximately RMB107.4 million) and the total share issue cost was SGD58,000 (approximately RMB288,000).

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share without restrictions at meetings of the Company. All shares (excluding treasury shares) rank equally with regards to the Company's residual assets.

12 Reserves

	Note	Group 2013 RMB'000	Group 2012 RMB'000	Company 2013 RMB'000	Company 2012 RMB'000
Capital reserve	(i)	**2,174**	2,174	**2,174**	2,174
Statutory reserve		**2,756**	915	**–**	–
Foreign currency translation reserve	(ii)	**(864)**	–*	**(6,130)**	–
Accumulated losses		**(14,832)**	(17,747)	**(23,005)**	(25,626)
		(10,766)	(14,658)	**(26,961)**	(23,452)

** Less than RMB1,000*

(i) Capital reserve comprises the following:

Redeemable convertible bonds/notes

The value of the embedded option to convert the liability component of the redeemable convertible bonds into equity of the Company as at the date of issue of the redeemable convertible bonds is included in capital reserve. The value of the embedded option approximates RMB574,000. The redeemable convertible bonds were fully converted upon the initial public offering of the Company's shares in 2004.

On 30 July 2012, the Company entered into several subscription agreements with investors and issued an aggregate of S$3,000,000 (RMB15,228,000) of convertible loan notes (see Note 13). The value of the equity component of the convertible loan note is approximately RMB1,600,000 and has been included in the capital reserve.

Capital reserves of subsidiaries

The foreign subsidiaries follow the accounting principles and relevant financial regulations of the PRC (PRC GAAP) applicable to wholly-owned foreign investment enterprises in the preparation of their accounting records and statutory financial statements.

NOTES TO THE FINANCIAL STATEMENTS

12 Reserves (continued)

The foreign subsidiaries are required to appropriate 10% to 15% of the profit arrived at in accordance with PRC GAAP for each year to the statutory reserve. The profit arrived at must be set-off against any accumulated losses sustained by the subsidiaries in prior years, before allocation is made to the statutory reserve. Appropriation to the statutory reserve must be made before distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital and thereafter any appropriation will be voluntary. This statutory reserve is not distributable in the form of cash dividends.

(ii) The foreign currency translation reserve of the Group comprises foreign exchange differences arising from the translation of the financial statements of entities in the Group whose functional currency is different from the presentation currency of (RMB) of the Group.

The foreign currency translation reserve of the Company comprises foreign exchange differences arising from the translation of its financial statements from its function currency (SGD) to the presentation currency (RMB) of the Company.

13 Loans and borrowings

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Current liabilities				
Bank borrowings	**23,992**	–	**2,992**	–
Non-current liabilities				
Convertible loan notes	**13,612**	13,899	**13,612**	13,899

Bank borrowings:

a) Bank loan I amounting to RMB6 million is secured by legal charge over land and buildings of Xinghua Rongcheng. Average interest rate for bank borrowing during the financial year is approximately 7.2% per annum.

b) Bank loan II amounting to RMB15 million is an unsecured bank loan and average interest rate during the financial year is approximately 8.4% per annum.

c) Bank loan III amounting to RMB2.99 million (denominated in USD0.49 million) is secured by USD0.50 million fixed deposit. Average interest rate for bank borrowing during the financial year is approximately 1.8% per annum.

Convertible loan notes

The convertible loan notes were issued on 30 July 2012 and due on 29 July 2015.

The notes are convertible into new ordinary shares in the capital of the Company. The terms of the conversions are stated below:

The holders of the notes have the right 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$0.12 per share;

NOTES TO THE FINANCIAL STATEMENTS

13 Loans and borrowings (continued)

Convertible loan notes (continued)

(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 month following the subscription date, the conversion price of S$0.13 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 after the expiration of the 36th month following the subscription date, the conversion price of S$0.14 per share; and

(d) where the conversion right is exercised after the day immediately subsequent to the expiration of the 36th month following the subscription date and the expiration of the 37th month from the issue of the note, the conversion price of S$0.15 per share.

There was no conversion during the year.

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

			2013		2012	
	Nominal interest rate %	Year of maturity	Face value RMB'000	Carrying amount RMB'000	Face value RMB'000	Carrying amount RMB'000
Group and Company						
Convertible loan notes	8	2015	12,957	13,612	13,628	13,899

	Group and Company 2013 RMB'000
At 1 January	**13,899**
Accreted interest	**471**
Foreign exchange gain	**(758)**
Carrying amount of liability at 31 December	**13,612**

NOTES TO THE FINANCIAL STATEMENTS

14 Trade and other payables

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Trade payables	43,299	31,415	7,739	–
Bill payables	12,000	–	–	–
Accrued operating expenses:				
– Directors' fees	446	294	446	294
– Others *	4,283	4,340	1,718	2,952
Other payables	21,113	4,078	566	–
Amount due to a subsidiary (non-trade)	–	–	72	–
Amount due to related parties (non-trade)	23,359	–	–	–
	104,500	40,127	10,541	3,246
Advances received	2,471	189	–	–
	106,971	40,316	10,541	3,246

Non-trade amounts due to a subsidiary and related parties are unsecured, interest-free and repayable on demand.

* Accrued operating expenses included convertible loan notes interest payable of RMB489,000 (2012: RMB517,000).

15 Revenue

	Group	
	2013 RMB'000	2012 RMB'000
Sale of goods	**427,631**	155,701
Sale of scrap metals	**5,874**	5,952
Commission income	**5,641**	5,306
	439,146	166,959

In 2012, the Group earned commission income from the trading of steel billets that amounted to RMB414,000 where inventories sold to a third party customer were subsequently resold by the third party customer back to a related party of the Group.

NOTES TO THE FINANCIAL STATEMENTS

16 Finance income and finance expense

	Group	
	2013 RMB'000	2012 RMB'000
Finance income		
Interest income relating to banks	**29**	73
	29	73
Finance expense		
Foreign exchange loss	**(630)**	(151)
Interest expense relating to:		
- Banks	**(505)**	–
- Convertible loan notes	**(1,659)**	(711)
	(2,794)	(862)
Net finance expense	**(2,765)**	(789)

17 Income tax expense

	Group	
	2013 RMB'000	2012 RMB'000
Tax recognised in profit or loss		
Current tax expense		
Tax expense	**6,442**	3,085
(Over)/Underprovision in prior years	**(63)**	196
	6,379	3,281
Reconciliation of effective tax rate		
Profit before income tax	**10,638**	4,649
Tax calculated using PRC tax rate of 25% (2012: 25%)	**2,660**	1,162
Effect of different tax rates and legislation	**913**	542
Income not subject to tax	**–**	(240)
Non-deductible expenses	**237**	1,719
Unrecognised tax losses	**1,826**	–
Withholding tax expenses	**736**	–
(Over)/Underprovision in prior years	**(63)**	196
Others	**70**	(98)
	6,379	3,281

Profits of Jiangyin Chengsheng, Xinghua Xincheng and Xinghua Rongcheng are subject to PRC income tax of 25% (2012: 25%).

No provision for Singapore and Malaysia profits has been made as the Group did not derive any significant taxable profits in Singapore and Malaysia during the year.

As at 31 December 2013, the Group has unutilised tax losses of approximately RMB10 million (2012:Nil) available for offset against future taxable income subject to the provisions of the Singapore Income Tax Act and agreement by the Singapore Comptroller of Income Tax. Deferred tax benefits have not been recognised in respect of these items because it is not probable that the future taxable profits would be available which the Company can utilise these benefits.

NOTES TO THE FINANCIAL STATEMENTS

18 Profit for the year

The following items have been included in arriving at profit for the year:

	Group	
	2013 RMB'000	2012 RMB'000
Audit fees paid to:		
- auditors of the Company	**1,509**	1,404
- other auditors	**349**	540
Non-audit fees paid to:		
- auditors of the Company	**45**	23
Amortisation of lease prepayments	**253**	–
Amortisation of intangible assets	**27**	15
Property, plant and equipment written off	**9**	–
Depreciation of property, plant and equipment	**4,557**	561
Operating lease expense	**4,210**	4,433
Staff costs	**15,596**	6,243
Contributions to defined contribution plans included in staff costs	**825**	654
Gain on disposal of subsidiary	**(108)**	–

19 Earnings per share

Basic earnings per share

The calculation of basic earnings per share as at 31 December 2013 was based on the profit attributable to ordinary shareholders of RMB4,756,000 (2012: RMB1,432,000), and a weighted average number of ordinary shares outstanding of 336,189,774 (2012: 208,564,203), calculated as follows:

	Group	
	2013 RMB'000	2012 RMB'000
Profit attributable to ordinary shareholders	**4,756**	1,432

	2013 No. of shares	2012 No. of shares
Issued ordinary shares at 1 January	**208,564,203**	208,564,203
Effect of shares issued in April 2013	**127,625,571**	–
Weighted average number of shares at 31 December	**336,189,774**	208,564,203

Diluted earnings per share

The calculation of diluted earnings per share as at 31 December 2013 was based on the profit attributable to ordinary shareholders of RMB4,756,000 (2012: RMB1,432,000), and a weighted average number of ordinary shares outstanding of 336,189,774 (2012: 208,564,203).

At 31 December, the conversion effects of the convertible loan notes of 23,076,923 shares (2012: 10,616,438 shares) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

20 Segment reporting

Information regarding the results of each reportable segment is included below. Performance is measured based on profit before income tax, as included in the internal management reports that are reviewed by the Board of Directors. Profit before income tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Operating segments

	Industrial and Construction Materials RMB'000	Others RMB'000	Total RMB'000
Group			
2013			
External revenue	439,146	–	439,146
Interest income	29	–	29
Interest expense	2,164	–	2,164
Depreciation and amortisation	4,837	–	4,837
Reportable segment profit before income tax	10,638	–	10,638
Reportable segment assets	315,107	–	315,107
Capital expenditure	50,130	–	50,130
Reportable segment liabilities	146,878	–	146,878
2012			
External revenue	166,959	–	166,959
Interest income	–	73	73
Interest expense	–	711	711
Depreciation and amortisation	576	–	576
Reportable segment profit/(loss) before income tax	12,431	(935)	11,496
Reportable segment assets	110,549	2,717	113,266
Capital expenditure	3,291	–	3,291
Reportable segment liabilities	38,426	17,229	55,655

Reconciliations of reportable segment, profit or loss and other material items

	Group	
	2013 RMB'000	2012 RMB'000
Profit or loss		
Total profit before income tax for reportable segments	**10,638**	12,431
Other profit or loss	–	(935)
	10,638	11,496
Unallocated amounts:		
- Other corporate expenses*	–	(6,847)
Consolidated profit from continuing operations before tax	**10,638**	4,649

* Other corporate expenses pertained to expenses incurred by the Company in relation to investment holding activities in 2012. During the year, the Company had commenced trading activities. Accordingly, the expenses incurred by the Company are included in the Industrial and Construction Materials segment in 2013.

NOTES TO THE FINANCIAL STATEMENTS

20 Segment reporting (continued)

	Reportable segment totals RMB'000	Adjustments RMB'000	Consolidated totals RMB'000
Other material items			
Group			
2013			
Interest expenses	2,164	–	2,164
Depreciation and amortisation	4,837	–	4,837
2012			
Interest expenses	–	711	711
Depreciation and amortisation	576	–	576

Geographical information

The Industrial and Construction Materials segments are managed on an Asia Pacific region basis, but the manufacturing facilities are primarily located and operated in the PRC.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

	2013		2012	
	RMB'000	%	RMB'000	%
Group				
Revenue				
China	367,730	84	166,959	100
Singapore	58,353	13	–	–
Malaysia	9,828	2	–	–
India	3,235	1	–	–
	439,146	100	166,959	100
Segmental non-current assets(i)				
China	130,441	98	2,970	100
Singapore	2,048	2	–	–
Malaysia	8	*	–	–
	132,497	100	2,970	100

(i) Non-current assets presented consist of property, plant and equipment, lease prepayments and intangible assets.

* *Less than 1%.*

Major customer

Revenue from one customer of the Group's Industrial And Construction Materials segment represents approximately RMB178,100,000 (2012: RMB49,254,000) of the Group's total revenue.

NOTES TO THE FINANCIAL STATEMENTS

21 Acquisition of subsidiary

On 6 April 2013, the Group through its wholly-owned subsidiary, Oriental Investments Group Pte. Ltd. acquired 100% equity interest in Xinghua Rongcheng from a related party. Xinghua Rongcheng is a supplier of carbon steel products. The acquisition of Xinghua Rongcheng will enable the Group to manufacture its own goods and reduce its dependence on external suppliers. The acquisition is expected to provide the Group with a cheaper source of self-manufactured carbon steel products and to reduce costs through economies of scale.

From the date of acquisition, Xinghua Rongcheng contributed revenue of RMB2.3million and loss of RMB6.9 million to the Group's results, after the elimination of intercompany transactions. If the acquisition had occurred on 1 January 2013, the effect on the Group's revenue and net profit for the year would be immaterial.

	Carrying amount RMB'000	Fair value adjustment RMB'000	Recognised value RMB'000
Identifiable assets acquired and liabilities assumed			
Property, plant and equipment	58,616	1,496	60,112
Lease prepayment	11,527	2,540	14,067
Trade and other receivables	253,813	–	253,813
Cash and cash equivalents	6,450	–	6,450
Trade payables and other payables	(273,442)	–	(273,442)
Bank borrowings	(6,000)	–	(6,000)
Total identifiable net assets	50,964	4,036	55,000
Total consideration paid in cash			(55,000)
Less: Cash and cash equivalents acquired			6,450
Net cash outflow on acquisition of subsidiary			(48,550)

The Group incurred acquisition-related costs of RMB860,000 related to external legal fees and due diligence fees. These costs have been included in administrative expenses in the Group's statement of comprehensive income.

22 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group defines return on capital as net operating income divided by total shareholders' equity. The Board also monitors the level of dividends to ordinary shareholders.

There were no changes in the Group's approach to capital management during the year.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

23 Financial risk management

Overview

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risk occurring and the cost of managing the risks. Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

NOTES TO THE FINANCIAL STATEMENTS

23 Financial risk management (continued)

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

Management has a credit policy in place and exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on customers requiring credit.

Cash is placed with banks and financial institutions which are regulated.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Borrowings from banks and related parties are obtained when necessary to meet expected operational expenses, including the servicing of financial obligations.

The following are the contractual maturities of financial liabilities, including estimated interests payments and excluding the impact of netting agreements:

		Cash flows		
Group	**Carrying amount RMB'000**	**Contractual cash flows RMB'000**	**Within 1 year RMB'000**	**Between 2 to 5 years RMB'000**
2013				
Financial liabilities				
Loans and borrowings	37,604	(41,830)	(26,272)	(15,558)
Trade and other payables	104,500	(104,500)	(104,500)	–
	142,104	(146,330)	(130,772)	(15,558)
2012				
Financial liabilities				
Loans and borrowings	13,899	(18,989)	(1,742)	(17,247)
Trade and other payables	40,127	(40,127)	(40,127)	–
	54,026	(59,116)	(41,869)	(17,247)
Company				
2013				
Financial liabilities				
Loans and borrowings	16,604	(20,276)	(4,718)	(15,558)
Trade and other payables	10,541	(10,541)	(10,541)	–
	27,145	(30,817)	(15,259)	(15,558)
2012				
Financial liabilities				
Loans and borrowings	13,899	(18,989)	(1,742)	(17,247)
Trade and other payables	3,246	(3,246)	(3,246)	–
	17,145	(22,235)	(4,988)	(17,247)

It is not expected that the contractual cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS

23 Financial risk management (continued)

Foreign currency risk (continued)

The Group is exposed to foreign currency risk on sales, purchases and operating expenses that are denominated in currencies other than the functional currencies of the Group entities. The currency giving rise to this risk is primarily the Singapore dollar (SGD), United States dollar (USD) and Chinese Renminbi (RMB).

Exposure to foreign currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level.

	2013			2012
	SGD RMB'000	**USD RMB'000**	**MYR RMB'000**	**SGD RMB'000**
Group				
Trade and other receivables	–	13	–	357
Cash and cash equivalents	243	1,025	6	2,849
Trade and other payables	(12)	(3,635)	(5,000)	(3,832)
Loans and borrowings	–	(2,992)	–	–
	231	(5,589)	(4,994)	(626)
Company				
Trade and other receivables	–	5,782	–	65,831
Cash and cash equivalents	–	672	6	150
Trade and other payables	–	(8,054)	–	(2,903)
Loans and borrowings	–	(2,992)	–	–
	–	(4,592)	6	63,078

Sensitivity analysis

A 10% strengthening of the following currencies against the functional currency of each of the Group entities at the reporting date would increase/(decrease) profit before income tax by the amounts shown below. There is no impact on equity. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Company	
	2013 Profit for the year RMB'000	**2012 Profit for the year RMB'000**	**2013 Profit for the year RMB'000**	**2012 Loss for the year RMB'000**
SGD	**23**	(63)	**–**	(6,308)
USD	**(559)**	–	**(459)**	–
RMB	**(499)**	–	**–***	–

** Less than RMB1,000*

A 10% weakening would have had an equal but opposite effect.

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to the Group's interest-bearing financial liabilities. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

NOTES TO THE FINANCIAL STATEMENTS

23 Financial risk management (continued)

Interest rate risk (continued)

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	Group Nominal amount		Company Nominal amount	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Fixed rate instruments				
Financial assets	–	–	–	12,762
Financial liabilities	(12,957)	(13,628)	(12,957)	(13,628)
	(12,957)	(13,628)	(12,957)	(866)
Variable rate instruments				
Financial liabilities	(23,992)	–	(2,992)	–

Interest rate sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Interest rate sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	100 bp increase RMB'000	100 bp decrease RMB'000
Group		
31 December 2013		
Variable rate instruments	(240)	240
Company		
31 December 2012		
Variable rate instruments	(30)	30

There is no impact on equity.

Estimation of fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

23 Financial risk management (continued)

Convertible loan notes

The fair values of convertible loan notes are estimated based on present value of future principal and interest cash flows at the reporting date.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity or repricing. All other financial assets and liabilities are discounted to determine their fair values.

Accounting classifications and fair values

The carrying amounts of the financial instruments of the Group and the Company carried at cost or amortised cost are not materially different from their fair values as at the reporting date. The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheets, are as follows:

	Note	Loans and receivables RMB'000	Other financial liabilities within the scope of FRS 39 RMB'000	Total carrying amount/ Fair value RMB'000
Group				
31 December 2013				
Cash and cash equivalents		16,620	–	16,620
Trade and other receivables	9	127,385	–	127,385
		144,005	–	144,005
Loans and borrowings	13	–	23,992	23,992
Convertible loan notes – liability component	13	–	13,612	13,612
Trade and other payables	14	–	104,500	104,500
		–	142,104	142,104
31 December 2012				
Cash and cash equivalents		5,211	–	5,211
Trade and other receivables	9	60,268	–	60,268
		65,479	–	65,479
Convertible loan notes – liability component	13	–	13,899	13,899
Trade and other payables	14	–	40,127	40,127
		–	54,026	54,026

NOTES TO THE FINANCIAL STATEMENTS

23 **Financial risk management** (continued)

Accounting classifications and fair values (continued)

	Note	Loans and receivables RMB'000	Other financial liabilities within the scope of FRS 39 RMB'000	Total carrying amount/ Fair value RMB'000
Company				
31 December 2013				
Cash and cash equivalents		3,815	–	3,815
Trade and other receivables	9	173,751	–	173,751
		177,566	–	177,566
Loan and borrowings	13	–	2,992	2,992
Convertible loan notes – liability component	13	–	13,612	13,612
Trade and other payables	14	–	10,541	10,541
		–	27,145	27,145
31 December 2012				
Cash and cash equivalents		157	–	157
Trade and other receivables	9	65,831	–	65,831
		65,988	–	65,988
Convertible loan notes – liability component	13	–	13,899	13,899
Trade and other payables	14	–	3,246	3,246
		–	17,145	17,145

24 **Accounting estimates and judgement**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the consolidated financial statements. The principal accounting policies are set out in note 3. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Key sources of estimation uncertainty

Valuation of inventories

The Group is subject to price fluctuations of its products and its raw materials. Should the selling prices of its processed steel products fall significantly, the net realisable value of its inventories may fall below its cost. Management has considered these factors in determining the allowance for write-down of its inventories. The carrying amount of the Group's inventories at the reporting date is disclosed in Note 8 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

24 Accounting estimates and judgement (continued)

(i) Key sources of estimation uncertainty (continued)

Impairment of trade receivables

The Group evaluates whether there is any objective evidence that receivables are impaired, and determines the amount of impairment loss as a result of the inability of the debtors to make required payments. The Group determines the estimates based on the financial health of the debtors, ageing of the receivables balance and the credit-worthiness of its debtors. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated. The carrying amount of the Group's trade receivables at the reporting date is disclosed in Note 9 to the financial statements.

Impairment of property, plant and equipment and lease prepayments

Where indicators of impairment are identified, in determining the recoverable amounts of its property, plant and equipment and lease prepayments, management performed an estimation of their value-in-use. The value-in-use calculation is dependent upon the accuracy of management's cash flow projections, including the terminal value at the end of the projection period as well as the appropriateness of the discount factor. Further impairment losses would be recorded if the Group is unable to achieve the forecasted results.

(ii) Critical judgements made in applying accounting policies

Critical judgements in the application of applying accounting policies are discussed below.

Commission income, determination of whether the Group acts as an agent in the transaction rather than principal.

Commission income relates to the sale of steel billets in which the Group acts as an agent in the transaction rather than as the principal. Management considered the following factors in distinguishing between and agent and a principal:

- The Group does not take title of the goods.
- The Group cannot vary the selling price set by the supplier.

Accounting for the convertible loan notes

In 2012, the Group issued convertible loan notes that amounted to RMB15,228,000. There is no such issuance during the year. Based on the Group's assessment, the conversion option is equity in nature as it has met the requirements under the accounting standards. As at 31 December 2013, the carrying amount of the convertible loan notes is RMB13,612,000 (2012: RMB13,899,000) and the carrying value of the equity conversion option is RMB1,600,000 (2012: RMB1,600,000).

NOTES TO THE FINANCIAL STATEMENTS

25 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2013 RMB'000	2012 RMB'000
Within one year	**1,339**	1,641
Between one and five years	**2,383**	1,289
More than five years	**859**	859
	4,581	3,789

In March 2012, the Group negotiated with Jiangyin Dingsheng Jinshu Yayan Co., Ltd. (Dingsheng), the lessor of the leased machinery, for lower rental. As a result, the lease agreement entered into in 2011 was terminated and replaced with a revised 10-year lease agreement.

In July 2012, Dingsheng became a related party of the Group due to a change in its shareholders. Subsequent to being a related party of the Group, rental expenses that amounted to RMB1,258,000 was incurred by the Group.

In May 2013, Dingsheng has ceased to be a related party due to a change in its shareholders. In September 2013, the Group entered into a purchase agreement with Dingsheng to acquire the leased machinery for a consideration of RMB21.5 million based on a valuation report by an independent professional valuer. Hence, the previous lease was terminated.

26 Related parties

Key management personnel compensation

Compensation payable to key management personnel comprise:

	Group	
	2013 RMB'000	2012 RMB'000
Short-term employee benefits	**2,367**	1,197
Post-employment benefits	**62**	100

Other related party transactions

Other than disclosed elsewhere in the financial statements, transactions with related parties are as follows:

	Group	
	2013 RMB'000	2012 RMB'000
Related corporations		
- Purchase of raw material	**11,274**	104
- Sales of steels related products	**179,720**	1,581
- Commission income (note 15)	**–**	414
- Rental of machinery	**1,258**	1,258

NOTES TO THE FINANCIAL STATEMENTS

27 Dividends

After the reporting period, the following exempt (one-tier) final dividend was proposed by the directors. The exempt (one-tier) dividends have not been provided for.

	Group and Company	
	2013	2012
	RMB'000	RMB'000
0.15 Singapore cents per qualifying ordinary share	**2,807**	–

SUPPLEMENTARY INFORMATION

(SGX-ST LISTING MANUAL DISCLOSURE REQUIREMENTS)

1 Directors' remuneration

The following information relates to remuneration of directors of Oriental Group Ltd.:

	Number of directors	
	2013	**2012**
Remuneration of:		
S$500,000 and above	–	–
S$250,000 - S$499,999	–	–
Below S$250,000	7	7
	7	7

STATISTICS OF SHAREHOLDINGS

SHAREHOLDERS' INFORMATION

Class of Equity Securities	Number of Equity Securities	Voting Rights
Ordinary Shares	387,730,870	One vote per share (excluding treasury shares)
Treasury Shares	Nil	Nil

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 18 MARCH 2014

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	7	1.92	2,518	0.00
1,000 - 10,000	179	49.04	549,000	0.14
10,001 - 1,000,000	137	37.53	27,960,155	7.21
1,000,001 and above	42	11.51	359,219,197	92.65
TOTAL	**365**	**100.00**	**387,730,870**	**100.00**

TWENTY LARGEST SHAREHOLDERS

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHARES
1	DINGJI INVESTMENTS LTD	71,666,667	18.48
2	UOB KAY HIAN PTE LTD	33,570,132	8.66
3	TAN SEOW JUAY	25,000,000	6.45
4	DBS NOMINEES PTE LTD	20,110,000	5.19
5	MAYBANK NOMINEES (SINGAPORE) PTE LTD	19,415,520	5.01
6	LIAN DING MANAGEMENT LTD	16,250,000	4.19
7	ZHENG SHUHUA	15,000,000	3.87
8	LIOU FANG YOU	13,838,001	3.57
9	NG LENG HUAT	11,777,667	3.04
10	SINOLION MANAGEMENT LIMITED	11,346,133	2.93
11	FRANKLAND INVESTMENTS LTD	8,333,333	2.15
12	GIANT SUCCESS INVESTMENTS LIMITED	8,000,000	2.06
13	WU DINGCHENG	7,823,130	2.02
14	MAYBANK KIM ENG SECURITIES PTE LTD	7,682,000	1.98
15	WU XIAODONG	7,431,739	1.92
16	GRAND RADIANT INTERNATIONAL LIMITED	7,083,333	1.83
17	JIN HONG HOLDINGS LIMITED	7,083,333	1.83
18	XIN ZHAN INVESTMENT PTE LTD	6,200,000	1.60
19	RAFFLES NOMINEES (PTE) LTD	6,050,000	1.56
20	KOH SOON YEE	5,000,000	1.29
	Total:	308,660,988	79.63

STATISTICS OF SHAREHOLDINGS

SUBSTANTIAL SHAREHOLDERS
(As recorded in Register of Substantial Shareholders)

	Direct Interest		Deemed Interest		Aggregate Interest	
	No. of shares	%	No. of Shares	%	No. of Shares	%
Miao Lina(1)	-		77,986,667	20.11	77,986,667	20.11
Dingji Investments Ltd(1)	77,986,667	20.11	-	-	77,986,667	20.11
Ong Yick Yih(2)	1,000,000	0.26	31,333,333	8.08	32,333,333	8.34
Frankland Investments Ltd(2)	8,333,333	2.15	-	-	8,333,333	2.15
Liou Fangyou(3)	13,838,001	3.57	19,346,133	4.99	33,184,134	8.56
Sinolion Management Limited(3)	11,346,133	2.93	-	-	11,346,133	2.93
Giant Success Investments Limited(3)	8,000,000	2.06	-	-	8,000,000	2.06
Tam Bee Moi(4)	1,500,000	0.39	25,000,000	6.45	26,500,000	6.83
Tan Seow Juay(4)	25,000,000	6.45	1,500,000	0.39	26,500,000	6.83
Ng Leng Huat(5)	11,777,667	3.04	9,526,000	2.46	21,303,667	5.49

1 Dingji Investments Ltd is a company established in BVI and it shares are held equally between Messrs Sun Lu and Miao Lina. Sun Lu is son in law of Wu Dingrong and Miao Lina is adopted daughter of Wu Dingrong. Messrs Sun Lu and Miao Lina are holding the shares in Dingji Investments Ltd on trust for Wu Dingrong, therefore, Wu Dingrong is the beneficial owner of and deemed interested in the 77,986,667 Shares held under Dingji Investments Ltd.

2 Ong Yick Yih is the beneficial owner of and deemed interested in the 4,000,000 Shares held under Mayban Nominees (Singapore) Private Limited, deemed interested in the 6,000,000 Shares held under Kim Eng Securities Pte Ltd and deemed interested in the 10,000,000 shares held under DBS Nominees. As Ong Yick Yih holds 100% of the issued and paid up shares in the capital of Frankland Investments Limited, in accordance with Section 7 of the Act, he is deemed to be interested in all the 8,333,333 Shares of the Company owned by Frankland Investments Limited. Mdm Lee Yin Fong is the wife of Ong Yick Yih, Ong Yick Yih is deemed to be interested in the 3,000,000 Shares held by Mdm Lee Yin Fong. Therefore, Ong Yick Yih is deemed to hold 31,333,333 Shares of the Company.

3 As Liou Fangyou holds 100% of the issued and paid up shares in the share capital of Giant Success Investments Limited, in accordance with Section 7 of the Act, he is deemed to be interested in all the 8,000,000 shares of the Company owned by Giant Success Investments Limited. As Liou Fangyou also holds 100% of the issued and paid up shares in the share capital of Sinolion Management Limited, in accordance with Section 7 of the Act, he is also deemed to be interested in all the 11,346,133 shares of the Company owned by Sinolion Management Limited.

4 Mr Tan Seow Juay is the husband of Mdm Tam Bee Mooi. Each of them is deemed to be interested in the shares held by each other.

5 As Mr Ng Leng Huat holds 50% of the issued and paid up shares in the share capital of Bega Holdings Pte Ltd, in accordance with Section 7 of the Act, he is deemed to be interested in all the 3,125,000 shares of the Company owned by Bega Holdings Pte Ltd. As Mr Ng Leng Huat also holds 50% of the issued and paid up shares in the share capital of Iora Holdings Pte Ltd, in accordance with Section 7 of the Act, he is also deemed to be interested in all the 3,125,000 shares of the Company owned by Iora Holdings Pte Ltd. Ng Leng Huat is the beneficial owner of and deemed interested in the 3,276,000 Shares held under DBS Nominees. Therefore, Ng Leng Huat is deemed to hold 9,526,000 Shares of the Company.

The percentage of shareholding above is computed based on the total issued shares of 387,730,870.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on information available to the Company as at 18 March 2014, approximately 48.34% of the Company's shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual Section B: Rules of Catalist.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of **Oriental Group Ltd** will be held at Sands Expo & Convention Centre, Level 4 , Orchid Junior 4212,10 Bayfront Avenue, Singapore 018956 on Monday, 28th day of April 2014 at 2.30 p.m. for the following purposes:–

AS ORDINARY BUSINESS

1. To receive and, if approved, to adopt the Audited Accounts for the financial year ended 31 December 2013 together with the Directors' Report and Independent Auditors' Report thereon. **(Resolution1)**

2. To declare a tax-exempt one-tier First and Final Dividend of zero point one five (0.15) Singapore cent per ordinary share in the capital of the Company for the financial year ended 31 December 2013. **(Resolution2)**

3. To re-elect the following Directors pursuant to Article 91 of the Company's Articles of Association:

Mr Chua Hung Meng	(Retiring under Article 91)	**(Resolution3)**
Mr Koh Choon Kong	(Retiring under Article 91)	**(Resolution4)**
Mr Sun Lu	(Retiring under Article 91)	**(Resolution5)**

Mr Chua Hung Meng will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nominating Committee and will be considered Independent for the purposes of Rule 704(7) of the Listing Manual Section B: Rules of Catalist. Mr Chua Hung Meng will also be the Lead Independent Director. Save as disclosed herein, Mr Chua does not have any relationship including immediate family relationship with the Directors, the Company or its 10% shareholders (as defined in the Code of Corporate Governance 2012 (the "Code")). The detailed information of Mr Chua can be found under the section entitled 'Corporate Governance Report' in page 19 of the Annual Report.

Mr Koh Choon Kong, will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of each of the Nominating Committee and the Audit Committee and will be considered Independent for the purposes of Rule 704(7) of the Listing Manual Section B: Rules of Catalist. Save as disclosed herein, Mr Koh does not have any relationship including immediate family relationship with the Directors, the Company or its 10% shareholders (as defined in the Code). The detailed information of Mr Koh can be found under the section entitled 'Corporate Governance Report' in page 19 of the Annual Report.

Mr Sun Lu, will, upon re-election as a Director of the Company, remain as the Executive Director of the Company. Mr Sun Lu is son-in-law of Mr Wu Dingrong, who is the Non-Executive Chairman and substantial shareholder of the Company. Save as disclosed herein, Mr Sun does not have any other relationship including immediate family relationship with the Directors, the Company or its 10% shareholders (as defined in the Code). The detailed information of Mr Sun can be found under the section entitled 'Corporate Governance Report' in page 19 of the Annual Report.

4. To approve an increase in Directors' fees of S$15,000 in aggregate to the Independent Directors of the Company for the financial year ended 31 December 2013. [See Explanatory Note (i)] **(Resolution6)**

5. To approve the payment of Directors' fees of S$40,000 to the Company's Non-Executive Director Mr Ong Wee Chuan (2012: Nil) for the financial year ended 31 December 2013. [See Explanatory Note (ii)] **(Resolution7)**

6. To re-appoint Messrs KPMG LLP as the Company's Independent Auditors and to authorise the Directors to fix their remuneration. **(Resolution 8)**

7. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution (with or without amendments) as Ordinary Resolution:–

8. **General mandate to allot and issue new shares in the capital of the Company**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "Act") and Rule 806 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") ("Rules of Catalist"), authority be and is hereby given to the Directors of the Company to:–

(A) (i) allot and issue shares in the capital of the Company ("Shares") (whether by way of rights, bonus or otherwise); and/or

(ii) make or grant offers, agreements, or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible or exchangeable into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:

(i) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed one hundred per cent (100%) of the total issued Shares excluding treasury shares (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total issued Shares excluding treasury shares (as calculated in accordance with sub-paragraph (ii) below); and

(ii) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of the total number of issued Shares excluding treasury shares shall be calculated based on the total number of issued Shares excluding treasury shares at the time of this Resolution is passed, after adjusting for:

(aa) new Shares arising from the conversion or exercise of convertible securities;

(bb) new Shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and

(cc) any subsequent bonus issue, consolidation or subdivision of Shares;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act and the Articles of Association for the time being of the Company; and

(iv) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

[See Explanatory Note (iii)] **(Resolution 9)**

BY ORDER OF THE BOARD

ONG WEI JIN

COMPANY SECRETARY
10 April 2014
SINGAPORE

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) The Directors' fees to the Company's Independent Directors approved by shareholders at the last AGM of the Company held on 30 April 2013 for the financial year ended 31 December 2013 is S$115,000. In view of the increase in responsibilities on the Group's Non-Executive Directors arising from the Group's various expansion activities in the financial year ended 31 December 2013 and their contributions, the RC has recommended to the Board Directors' fees to the Independent Directors for the financial year ended 31 December 2013 be increased by S$ 15,000 payable as follows:

Mr Chua Hung Meng - S$5,000

Mr Tan Song Kwang - S$5,000

Mr Koh Choon Kong - S$5,000

(ii) Mr Ong Wee Chuan was not paid any director's fees for the financial year ended 31 December 2012. In view of the increase in responsibilities on the Group's Non-Executive Directors arising from the Group's various expansion activities in the financial year ended 31 December 2013 and their contributions, the RC has recommended to the Board Directors fees to Non-Executive and Non Independent Director Mr Ong Wee Chuan for the financial year ended 31 December 2013 as follows:

Mr Ong Wee Chuan - S$40,000

(iii) The Resolution 9 set out in item 8 above, if passed, will empower the Directors from the date of this AGM until the date of the next annual general meeting or the date by which the next annual general meeting is required by law to be held or such authority is revoked or varied by the Company in general meeting, whichever is earlier, to allot and issue Shares and/or convertible securities in the Company. The aggregate number of Shares and/or convertible securities which the Directors may allot and issue under this Resolution shall not exceed one hundred percent (100%) of the total issued Shares excluding treasury shares of which the aggregate number of Shares and/or convertible securities other than on a pro-rata basis to all shareholders of the Company shall not exceed fifty percent (50%) of the total issued Shares excluding treasury shares.

Notes:–

(i) A member entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his stead.

(ii) Where a member appoints two proxies, he shall specify the percentage of his shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.

(iii) A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member of the Company.

(iv) The instrument appointing a proxy must be deposited at the office of the Company's share registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #02-00, Singapore 068898 at least forty-eight (48) hours before the time of the AGM.

ORIENTAL GROUP LTD
Company Registration No. 200401998C
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. For investors who have used their CPF monies to buy Oriental Group Ltd's shares, this Annual Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CP Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

(Please see notes overleaf
before completing this Form)

I/We ______________________________ (Name) NRIC/Passport No. ______________

of ____ (Address)

being a member/members of the above-mentioned Company, hereby appoint:–

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her/them, the Chairman of the Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Sands Expo & Convention Centre, Level 4, Orchid Junior 4212,10 Bayfront Avenue, Singapore 018956 on Monday, 28th day of April 2014 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [X] within the box provided)

No.	Resolutions relating to:	For	Against
	Ordinary Business		
1.	Adoption of the Audited Accounts, Directors' Report and Independent Auditors' Report for the financial year ended 31 December 2013		
2.	Declaration of the First and Final Dividend (tax-exempt one-tier) for zero point one five (0.15) Singapore cent per ordinary share for the financial year ended 31 December 2013		
3.	Re-election of Mr Chua Hung Meng as a Director under Article 91		
4.	Re-election of Mr Koh Choon Kong as a Director under Article 91		
5.	Re-election of Mr Sun Lu as a Director under Article 91		
6.	Approval of an increase in Directors' Fees of S$15,000 to the Independent Directors of the Company for the financial year ended 31 December 2013		
7.	Approval of Directors' Fees of S$40,000 to the Company's Non-Executive Director Mr Ong Wee Chuan for the financial year ended 31 December 2013		
8.	Re-appointment of Messrs KPMG LLP as Independent Auditors		
	Special Business		
9.	General authority to allot and issue new shares pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore		

Dated this ________ day of ________ 2014

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Shareholder(s)
or, Common Seal of Corporate Shareholder

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postage
stamp

ORIENTAL GROUP LTD
80 Robinson Road,
02-00, Singapore 068898

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Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at the Meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead.
3. Where a member appoints two proxies, he shall specify the percentage of his shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.
4. A proxy need not be a member of the Company.
5. The instrument appointing a proxy or proxies together with the letter of power of attorney, if any, under which it is signed or a duly certified copy thereof, must be deposited at the office of the Company's share registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #02-00, Singapore 068898, not less than forty-eight (48) hours before the time appointed for the Meeting.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such a person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
7. Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Meeting.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.
9. In the case of a member whose shares are entered against his name in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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