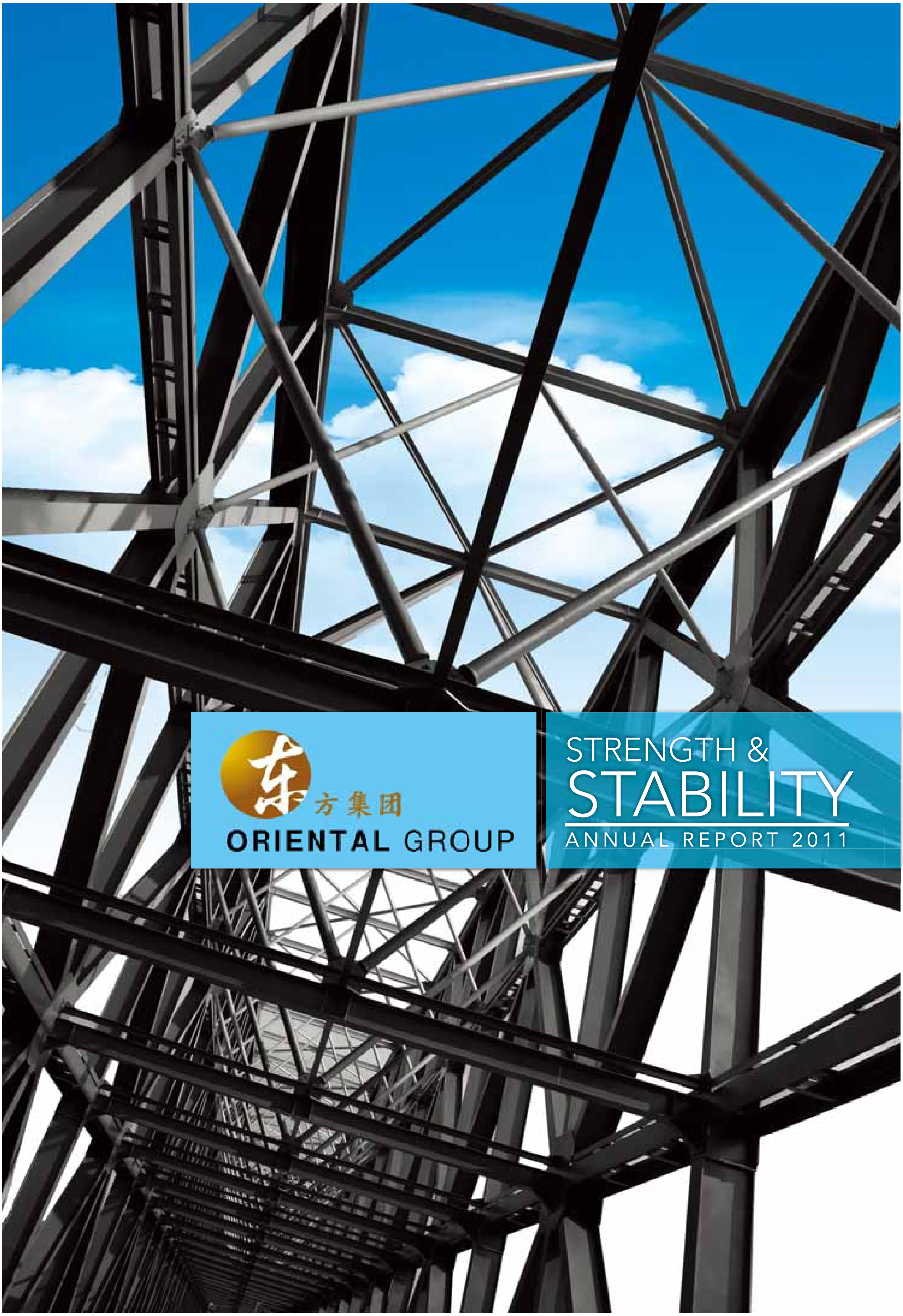

东方集团
ORIENTAL GROUP

STRENGTH & STABILITY

ANNUAL REPORT 2011

CONTENTS

CORPORATE PROFILE

Formerly known as Oriental Food (Holdings) Ltd., the Company was listed on Catalist (formerly known as SGX-SESDAQ) on 19 November 2004. The Company was renamed as Oriental Group Ltd. in January 2012 after the disposal of its peanut products manufacturing business to focus on its new business, to signify a watershed in terms of the direction of the Company.

Oriental Group is now primarily engaged in the business of providing value-added services relating to, as well as the procurement and supply of industrial and construction materials used in the industrial and construction industries in the People's Republic of China ("PRC"). The Company's business operations are principally carried out in Jiangyin City, Jiangsu Province, PRC.

公司简介

公司原名为东方食品（控股）有限公司，于2004年11月19日在新加坡交易所凯利板（原称新交所第二交易板）上市。公司在脱售花生业务后，于2012年1月正式更名为东方集团有限公司，这是公司发展的一个分水岭，标志著公司将重心转移新的业务领域。

东方集团现主要从事提供钢材相关业务的增值业务，包括采购和供应中国工业和建筑行业用的材料。 集团业务运作主要在中国江苏省江阴市。

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of Oriental Group Ltd. (formerly known as Oriental Food (Holdings) Ltd.) (the "Group") for the financial year ended 31 December 2011 ("FY2011").

MARKING A NEW MILESTONE

It has been a volatile year for the world as it continues to remain plagued by the deepening and prolonged uncertainty posed by the Europe debt crisis.

FY2011 was an eventful year as the Group undertook a paradigm shift by embarking on a brand new business.

During the year, the Group anticipated that with the rising prices of raw peanuts and the continuing keen competition of the operating environment of the of peanut products manufacturing industry, the next 12 months is likely to be a challenging period for the Group. The Group has changed its business strategy to focus on the sales of high value-added peanut products which contribute a higher gross profit margin to the Group.

In view of an increase in the prices of raw materials, intense competition and the challenging operating environment faced by the peanut products manufacturing business ("Peanut Business"), the Group forsaw that in order to turn around this business, it would require significant fresh capital to meet working capital requirements, as well as expenses from increased business development, sales and marketing activities.

As such, the Group undertook the major decision to discontinue its Peanut Business by disposing entirely of its two wholly-owned subsidiaries, namely Hualong (Rushan) Foodstuffs Enterprise Co., Ltd. and Rushan Longxiang Foodstuff Co., Ltd. to devote its full focus on its new business of providing value-added services relating to, as well as the procurement and supply of industrial and construction materials used in the industrial and construction industries in the People's Republic of China ("PRC") ("Industrial and Construction Materials Business"), carried out by its newly-incorporated wholly-owned subsidiary in the PRC, Jiangyin Chengsheng Engineering Co. Ltd. ("Jiangyin Chengsheng").

Shareholders had approved the disposal of the Peanut Business at our Extraordinary General Meeting held on 18 January 2012. This marked a new milestone for the Group as we took the step of divesting our former business after much careful deliberation and consultation with various stakeholders.

The disposal of our Peanut Business will result in net sales proceeds of approximately RMB 34.42 million, which will be used for growing our new Industrial and Construction Materials Business. We believe that despite the slowing pace of growth in the PRC, there is still demand for industrial and construction materials within the country given its extensive room for economic development.

Furthermore, the Group has also changed its name to "Oriental Group Ltd." to provide a clear identity for the Group and better reflect the Group's corporate profile going forward.

FUTURE OUTLOOK AND PROSPECTS

The global economy continues to display signs of uncertainty, and growth in the PRC economy has also begun to slow down. The Management expects intense competition in our existing markets and will impose stringent costs control measures to maintain the Group's profitability.

Despite the challenging environment, we will forge ahead with our new business and focus on strengthening our position within the industrial and construction materials industries by exercising vigilance and prudence. The Group will be exploring expansion opportunities in the PRC and regional countries, as well as enhancing our network of contacts, while enlarging our market share in these regions.

CHAIRMAN'S STATEMENT

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to extend my appreciation to the Board members, our management team and staff for their dedication and contribution towards the Group's success over the years. I would also like to thank all our valued customers, suppliers, business partners and associates, as well as shareholders for their unwavering support and confidence in the Group.

At the forthcoming Annual General Meeting, two of the Directors on the current Board of Directors, namely myself and Mr. Ou Zhiguo, on reaching the end of our terms, will retire and not seek re-appointment or re-election as Directors.

Last but not least, I would like to welcome on board Mr. Lee Wan Sing, who was re-designated as Executive Director in October 2011 and Mr. Koh Choon Kong, who joined us in December 2011 as our new Independent Director. We believe that both Mr. Lee and Mr. Koh will be able to provide much invaluable insights to the Group given their accomplished working experience. With this new team, the Group look forward to working together to steer the Group towards greater heights.

Liou Fangyou
Executive Chairman

主席
致词

尊敬的股东们，

我代表公司董事会，很高兴地向大家呈报东方集团有限公司（原东方食品（控股）有限公司）（“集团”）截至2011年12月31日的财务业绩（“2011财年”）。

新里程碑

过去的一年全球经济颇为动荡。欧洲债务危机的深化给全球经济带来了长期的不确定因素。

2011财年也是集团业务转型之年。

本年度，由于原料花生价格上涨和花生产品生产行业竞争持续加剧，集团接下来12个月的经营将会面临挑战。集团因此改变策略，专注于销售高附加值和高利润率的花生产品。

考虑到花生生产业务面临原材料价格上涨、竞争加剧和运营环境的困难，集团认为，为了扭转业务的被动局面，需要注入一笔新的资金才能维持运营，并且为扩展业务、销售和营销等活动提供资金支持。

因此，集团作出了一个重大决定：终止花生业务，完全脱售其下属的两个全资子公司，华隆（乳山）食品工业有限公司和乳山隆相食品有限公司；并专注于提供工业和建筑材料业务的增值服务，包括采购和供应中国工业和建筑行业用的材料给中国市场（“工业和建筑材料业务”）新的业务。该业务由在中国新成立的子公司—江阴澄盛机械制造有限公司（“江阴澄盛”）来进行。

该建议已经在2012年1月18日的特别股东大会上获得通过。这是在经过深思熟虑和徵求各方股东的意见后才作出的决定，这标志著集团的发展迈向了一个新的里程碑。

脱售花生业务筹得大约人民币3442万元，这将用于发展工业和建筑材料业务。我们相信即使中国的经济增长速度放缓，但还有很大的发展空间，而对工业和建筑行业用材料的需求仍很庞大。

现在，集团已经正式改名为“东方集团有限公司”。新的名字掀开集团今后发展的新篇章。

主席
致词

展望未来

全球经济发展前景仍不明朗，中国的经济发展也开始逐渐放缓。管理层相信市场竞争仍很激烈，我们会采取谨慎的成本控制以维持集团的盈利能力。

尽管市场环境仍具挑战性，我们将继续加强我们的新业务，并且稳健扎实地强化我们在工业和建筑材料市场的地位。集团也将探讨在中国和本区域国家的拓展机会，扩大我们的商业网络，以提高我们在本区域的市场份额。

衷心感谢

在此，我谨代表集团董事会，向董事会同仁、管理层和员工表示衷心的感谢！感谢你们这些年来为集团发展付出的努力和贡献。我也要谢谢我们的客户、供应商、商业夥伴以及股东们对我们的支持和信任。

在来临的常年股东大会，我和欧志国董事已期满。我们将卸任并不寻求连任为董事。

最后，我要欢迎李望理先生和许诚光先生加入董事会。李先生于2011年10月重新受委担任执行董事；许先生于2011年12月受委担任独立董事。集团相信，李先生和许先生丰富的经验和知识将会给集团带来宝贵的财富。有了新的团队，我们将齐心协力，再创高峰。

OPERATIONS REVIEW

CONTINUING OPERATIONS

The Group commenced its new business of the manufacturing, processing and sale of industrial and construction materials with the incorporation of a wholly-owned subsidiary in the People's Republic of China ("PRC"), Jiangyin Chengsheng Engineering Co. Ltd. ("Jiangyin Chengsheng") in June 2011.

Jiangyin Chengsheng is engaged in the business of providing value-added services relating to, as well as the procurement and supply of industrial and construction materials used in the PRC, which is the core business of the Group.

In FY2011, Jiangyin Chengsheng reported revenue of RMB 101.95 million after being in business for only four months, which was higher than the revenue contributed by our former discontinued operations, which stood at RMB 100.05 million.

However, gross profit was only RMB 1.76 million with gross profit margin recorded at 1.73%. This was mainly due to the fact that the operations of Jiangyin Chengsheng have yet to reach its optimum production capacity.

Concurrently, the Group's other income has also increased from RMB 0.14 million in FY2010 to RMB 1.28 million in FY2011, mainly due to the gain from the disposal of the Group's property located at Toh Guan, Singapore as part of the Group's restructuring process.

The Group also incurred higher administrative expenses, which increased by 49.23% to RMB 6.48 million in FY2011. This was mainly contributed by pre-operating expenses, staff cost, office rental of our new business premises.

Overall, the Group's continuing business registered a loss before income tax of RMB 3.59 million in FY2011 as compared to RMB 4.20 million in FY2010.

DISCONTINUED OPERATIONS

Over the years, rising costs in raw materials, keen competition, and unsustainable earnings has propelled the Group to dispose entirely of the Peanut Business. As such, the disposed business segment has been classified as our discontinued operations under Financial Statements in this Annual Report.

During the year, revenue from the discontinued Peanut Business increased by 20.95% to RMB 100.05 million. This was attributable to an increase in average selling prices of the Group's peanut products in overseas and the PRC domestic markets, and a surge in the sales volume in the PRC domestic markets. The increase in the average prices of the Group's peanut products has also resulted in the Group's discontinued segment gross profit margin to increase by 2.61% to 12.06% in FY2011.

The increase in revenue also led our distribution expenses to increase by 119.46% from RMB 2.83 million in FY2010 to RMB 6.20 million in FY2011. This was caused by an increase in the sales team headcount, business development costs, entry fee payable to distributors and advertisement costs for the expansion of the Group's PRC domestic retail markets. Consequentially, our transportation costs also increased. In addition, administrative expenses saw an increase of 4.75% to RMB 5.73 million during the year as compared to RMB 5.47 million in the previous year due to higher staff costs as a result of an increase in the average salary of workers in the PRC.

On the other hand, other expenses saw a dip by RMB 2.77 million from RMB 4.11 million in FY2010 to RMB 1.34 million in FY2011 due to the absence of a non-recurring expense in FY2011 relating to the impairment of a plant, which was used for manufacturing and providing repair services of machinery and equipment.

Overall, the Group reported a loss after income tax of RMB 4.33 million in FY2011 against loss after income tax of RMB 10.48 million in FY2010.

经营业绩
回顾

持续经营业务

2011年6月，集团在中国成立了新的全资子公司—江阴澄盛机械制造公司（“江阴澄盛”），开展了工业和建筑用材料的生产和贸易这项新业务(“持续经营业务”)。

江阴澄盛的业务，也就是集团的核心业务，主要从事提供与工业和建筑用材料相关的增值服务，包括采购和供应金属产品，如低碳圆钢、高强度型钢、脚钢、扁钢等。

2011财年，尽管只成立了六个月，江阴澄盛在营运四个月后的营业收入就达人民币10,195万元，这比之前已终止的花生业务收入高了很多。花生业务营业收入为人民币10,005万元。

然而，毛利只有人民币176万元，毛利率仅为1.73%。这是因为江阴澄盛的生产还没有达到最佳产能状态。

同时，集团的其它收入也增加了人民币14万元，至2011财年的人民币128万元。这主要是因为作为重组的一部分，集团出售在新加坡卓源东路的房产所获得的收益。

由于建立新业务，集团的管理费用增加了49.23%至人民币648万元。这主要包括业务开办费用、员工成本、办公室租金等。

总体而言，集团持续经营业务在2011财年产生税前亏损为人民币359万元，而2010财年的税前亏损为人民币420万元。

已终止经营业务

过去几年，由于原材料成本上升，竞争加剧以及未能持续盈利，使得集团决定脱售全部花生业务。因此，已脱售的花生业务被视为已终止经营业务。

本年度，终止经营的花生业务营业收入提高了20.95%至人民币10,005万元。这主要是由于集团花生产品在中国国内和海外市场的平均销售价格有所提高，在中国国内的销售量也有显著增长。花生产品平均销售价格的提高使得该业务毛利率提高了2.61个百分点至12.06%。

经营业绩
回顾

与营业收入的增加一致，销售费用也增加了119.46%，从2010财年的人民币283万元增加到2011财年的人民币620万元。这主要是因为公司为扩展国内零售市场而增加了销售人员、业务发展费用、给分销商的准入费用以及广告费等。同时，运输费用也相应地增加了。另外，管理费用与前年的人民币547万元相比，增加了4.75%至人民币573万元。这主要是因为员工的平均工资成本上升。

另一方面，其它费用减少了人民币277万元，从2010财年的人民币411万元降至2011财年的人民币134万元。这主要是因为2010财年由于机械设备和房产设备而导致了减值损失。

整体而言，集团2011财年报净亏损人民币433万元，而2010财年集团的净亏损为人民币1048万元。

BOARD OF DIRECTORS

LIOU FANGYOU

Executive Chairman

Mr. Liou is responsible for the formulation and execution of the overall business strategies and policies of our Group. Mr. Liou was formerly the factory head of Rushan Huanghai Peanut Factory and had served as the assistant office head of Rushan's Foreign Trade Office Secretariat and Head of Rushan's Light Industrial Bureau before becoming general manager from 1991 to 1993. He is presently the Vice President of the China Agricultural Industrial Chamber of Commerce, a member of the China PRC Industry and Commerce Association, and President of Rushan City Peanut Association. Mr. Liou graduated with a degree in economic management from the Central Party College in 1992.

OU ZHIGUO

CEO & Head of Business Development

Mr. Ou is involved in the strategic decision-making in the development of our Group's peanut products manufacturing business. In addition, he also assists the Group's Chief Financial Officer with the management of the Group's finance activities. Mr. Ou had prior experiences as the Chief Financial Officer of various companies in the People's Republic of China and had previously served as Head of Rushan City State Assets Administration Bureau. He graduated from Shandong Cadre Correspondence University with a degree in finance and accounting in 1997.

LIU GUOLIN

Executive Director, Export Markets Development

Ms. Liu is involved in the day-to-day management of our Group. She is also responsible for the implementation of our Group's overseas expansion strategies. She was head of the commercial trading department and economic consultant at Hualong (Rushan) Foodstuffs Enterprise Co., Ltd from 1998 to 2001. She was appointed as an executive director of Hualong in 2001. Ms. Liu graduated from Beijing Science and Technological Management University in 1998 with a degree in International Trade.

LEE WAN SING

Executive Director, Corporate Affairs

Mr. Lee was re-designated as Executive Director, Corporate Affairs on 13 October 2011. Prior to his re-designation, Mr. Lee was an Alternate Director to Mr. Chen Choon Kee. He is responsible for the Group's investment policies and corporate affairs matters. Mr. Lee is the founder and director of Patek Capital, a corporate financial consultancy firm. Starting 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 was appointed Finance Manager of the Company in January 2005 and subsequently held the role of Chief Financial Officer from August 2006 to July 2007.

Mr Lee is a fellow member of the Association of Chartered Certified Accountants, United Kingdom (FCCA), non-practising member of the Institute of Certified Public Accountants of Singapore (ICPAS) and Malaysian Institute of Accountants (MIA). He is also a member of the Singapore Institute of Directors (SID).

BOARD OF DIRECTORS

CHEN CHOON KHEE

Non-Independent Non-Executive Director, Deputy Chairman

Mr. Chen is responsible for monitoring the business strategies and policies of our Group by leveraging on his vast experience in business management, strategic planning and development, and a wide network of business contacts. Mr. Chen is presently the Executive Chairman of Natural Cool Holdings Limited ("Natural Cool") and before taking on this role, he had served as Natural Cool's Chief Executive Officer since Natural Cool's public listing on SGX in May 2006. In October 2004, he was awarded the Entrepreneur of the Year by the Rotary Club of Singapore and Association of Small and Medium Enterprises ("ASME"). Mr. Chen also served as Vice-Chairman of Bukit Gombak GRC Neighbourhood Committee, and Chairman of School Advisory Committee for Deyi Secondary School. He is also a member of ASME and the Singapore Institute of Directors (SID).

CHUA HUNG MENG

Independent Non-Executive Director

In the early part of his banking career, Mr. Chua worked in various domestic and international banks including Industrial and Commercial Bank in Singapore, AMRO Bank (Singapore Branch), and 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 markets. Mr. Chua currently holds a senior management position in a major European Bank. He is also the Chairman of the Remuneration Committee of Lizhong Wheel Group Ltd and the Interim Chairman of Audit Committee and Chairman of the Nomination Committee of Oceanus Group Limited, both of which are listed on SGX. 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 Non-Executive 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 obtained his Bachelor of Arts (Economics) degree from the National University of Singapore in 1991.

KOH CHOON KONG

Independent Non-Executive Director

Mr. Koh has been our Independent Non-Executive Director since 1 December 2011. He is currently the Group Chief Financial Officer of EMS Energy Limited, a Singapore-based oil and gas company listed on SGX. Prior to this, he was Group CFO of Mainboard-listed Fuxing China Group Limited as well as the first Chief Financial Officer of China Sunsine Chemical Holdings Ltd which he helped bring through a successful IPO on SGX in 2007. He is currently serving as a Non-Executive Director of China Sunsine Chemical Holdings Ltd.

He has more than 15 years of corporate finance, accounting and business experience. 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 Director (SID), a CPA in Singapore, as well as a CFA charter holder.

OFFICERS' PROFILE

ALLY LOW YOKE BING

Chief Financial Officer ("CFO")

Ms. Low joined the Group as CFO on 1 June 2011 to oversee the Group's finance functions. She is responsible for financial planning and management, corporate finance investment activities and Group corporate actions.

She was Group Financial Controller of Natural Cool Holdings Ltd from 2005 to 2011 and prior to this, she was Group Accountant of Nico Steel Holdings Ltd. She started her career in the audit industry, and was an audit senior at PricewaterhouseCoopers, Kuala Lumpur, Malaysia and Moore Stephens Chartered Accountants, Kuala Lumpur, Malaysia. Ms. Low is a fellow member of the Association of Chartered Certified Accountants, United Kingdom (FCCA) and a member of Malaysian Institute of Accountants (MIA).

WANG HUANBIN

Chief Operating Officer ("COO")

Mr. Wang was appointed as COO in May 2008 and is responsible for the daily operations of the Group. Mr. Wang was appointed as Business Strategic Planning and Assets Management Supervisor at the beginning of 2007 and promoted as Assistant Factory Head at end of 2007. Before joining our Group, he was Assistant Manager at Shandong Zhonghe Foodstuff Co., Ltd from 2002 to 2007 and as Assistant General Manager in Yinfeng Fruit Juice Beverage (Rushan) Co., Ltd from 1992 to 2002. Mr. Wang graduated with a degree in Food Engineering from the Shandong Light Industrial College in 1984.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:
Mr. Liou Fangyou (Chairman)
Mr. Ou Zhiguo (Chief Executive Officer and Head of Business Development)
Ms. Liu Guolin (Executive Director, Export Markets Development)
Mr. Lee Wan Sing (Executive Director, Corporate Affairs)

Non-Executive:
Mr. Chua Hung Meng (Independent)
Mr. Tan Song Kwang (Independent)
Mr. Koh Choon Kong (Independent)
Mr. Chen Choon Khee (Non-Independent)

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Tan Song Kwang (Chairman)
Mr. Chua Hung Meng (Member)
Mr. Chen Choon Khee (Member)

NOMINATING COMMITTEE

Mr. Tan Song Kwang (Chairman)
Mr. Chua Hung Meng (Member)
Mr. Liou Fangyou (Member)

COMPANY REGISTRATION NUMBER

200401998C

REGISTERED OFFICE

133 Cecil Street
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Singapore 069535

BUSINESS OFFICE

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COMPANY SECRETARY

Mr. Ong Wei Jin
Ms. Goh Wei Lin

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

AUDITORS

KPMG LLP
Certified Public 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

Agricultural Development Bank of China, Rushan Branch
No. 45, Shengli Street
Rushan City, Weihai
Shandong, 264500
PRC

REPORT ON CORPORATE GOVERNANCE

Preamble

Oriental Group Ltd. (formerly known as Oriental Food (Holdings) Ltd.) (the "Company") is committed to setting in place corporate governance practices which are in line with the recommendations of the Code of Corporate Governance 2005 (the "Code") to provide the structure through which protection of the interests of its shareholders and enhancement of shareholders' value and corporate transparency are met. This report sets out the corporate governance practices of the Company during the financial year with specific reference to the principles of the Code.

1. BOARD MATTERS

Board's Conduct of its Affairs
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.

REPORT ON CORPORATE GOVERNANCE

1. BOARD MATTERS (Continued)

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.

The attendance of Directors at Board and its committees meetings during the financial year ended 31 December 2011 are set out as follows:

	Board	Audit Committee	Remuneration Committee	Nominating Committee
Number of meetings held	**4**	**2**	**1**	**1**
Directors	**Number of meetings attended**			
Liou Fangyou	4	2*	1*	1*
Ou Zhiguo	4	2*	1	1*
Liu Guolin	4	2*	1*	1*
Lee Wan Sing**	4	2*	1*	1*
Chen Choon Khee	4	2	1	1*
Chua Hung Meng	4	2	1	1
Tan Song Kwang	4	2	1	1
Koh Choon Kong***	–	–	–	–

Notes:
* By Invitation
** Re-designated as an Executive Director of the Company with effect from 13 October 2011. Prior to his re-designation, Mr Lee Wan Sing was an Alternate Director to Mr Chen Choon Khee.
*** Appointed with effect from 1 December 2011

REPORT ON CORPORATE GOVERNANCE

1. BOARD MATTERS (Continued)

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.

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 the Management. No individual or small group of individuals should be allowed to dominate the Board's decision-making.

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

Mr Liou Fangyou	Executive Chairman
Mr Ou Zhiguo	Executive Director and Chief Executive Officer
Ms Liu Guolin	Executive Director
Mr Lee Wan Sing*	Executive Director
Mr Chen Choon Khee	Non-Executive and Non-Independent Director
Mr Chua Hung Meng	Independent Director
Mr Tan Song Kwang	Independent Director
Mr Koh Choon Kong**	Independent Director

Notes:

* Mr Lee Wan Sing has been re-designated as an Executive Director of the Company with effect from 13 October 2011. Prior to his re-designation, Mr Lee Wan Sing was an Alternate Director to Mr Chen Choon Khee.

** The appointment of Mr Koh Choon Kong as an Independent Director of the Company took effect from 1 December 2011.

The Board considers an "independent" director as one who has no relationship with the Company, its related companies 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 NC has reviewed the independence of each Independent Director for the financial year ended 31 December 2011 in accordance with the Code's definition of independence. Each Director is required to complete a 'Confirmation of Independence' form to confirm his independence. The form, which was drawn up based on the definitions and guidelines set forth under Principle 2 in the Code and the Guidebook for Audit Committees in Singapore issued by the Audit Committee Guidance Committee, requires each Director to assess whether he considers himself independent despite not having any of the relationships identified in the Code. The NC has reviewed the forms completed by each Director and is satisfied that at least one-third of the Board comprises Independent Directors.

REPORT ON CORPORATE GOVERNANCE

1. **BOARD MATTERS** (Continued)

The Independent Directors of the Board exercises 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 11 and 12 of this Annual Report.

Chairman and Chief Executive Officer
Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The roles of the Chairman and Chief Executive Officer ("CEO") are separate, with a clear division of responsibilities between the two Directors. Our Executive Chairman, Mr Liou Fangyou, oversees the Group's overall strategic direction as he has considerable industry experience. The CEO, Mr Ou Zhiguo, assumes full executive responsibilities for implementing the Group's strategies and policies and the conduct of its peanut products manufacturing business.

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

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

Mr Tan Song Kwang (Chairman – Independent Director)
Mr Chua Hung Meng (Member – Independent Director)
Mr Liou Fangyou (Member – Executive Director)

The NC is governed by its written terms of reference. In accordance with the definition in the Code, the Chairman of the NC is not directly associated with a substantial shareholder of the Company.

REPORT ON CORPORATE GOVERNANCE

1. BOARD MATTERS (Continued)

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

- reviewing and making recommendations to the Board on appointment and reelection 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 on an annual basis.
- evaluating the effectiveness of the Board as a whole and assess the contribution of each Director to the effectiveness of the Board.

The Company's Articles of Association provide that, every Director shall retire from office once every three years and for this purpose, at each AGM, one-third of the Directors of the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. A retiring Director is eligible for re-election.

During the year, the NC reviewed the independence of the Independent Directors. The NC assesses the independence of the Independent Directors, based on 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 annual review, the NC has affirmed the independence of Mr Chua Hung Meng, Mr Tan Song Kwang and Mr Koh Choon Kong. 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 NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple board representations, and there is presently no need to implement internal guidelines to address the competing time commitments. This matter is reviewed on an annual basis by the NC.

REPORT ON CORPORATE GOVERNANCE

1. **BOARD MATTERS** (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
Liou Fangyou	23 February 2004	29 April 2011	Nil	Nil
Ou Zhiguo	28 February 2004	30 April 2010	Nil	Nil
Liu Guolin	28 February 2004	29 April 2011	Nil	Nil
Lee Wan Sing*	29 November 2010	29 April 2011	Nil	Oceanus Group Ltd (Chief Financial Officer)
Chen Choon Khee	29 November 2010	29 April 2011	Natural Cool Holdings Limited (Executive Chairman)	Nil
Chua Hung Meng	30 September 2004	17 April 2009	1. Lizhong Wheel Group Ltd. (Independent Director) 2. Oceanus Group Limited (Independent Director)	Nil
Tan Song Kwang	23 February 2004	30 April 2010	Nil	Nil
Koh Choon Kong**	1 December 2011	Not applicable	1. China Sunsine Chemical Holdings Ltd. (Non-Executive Director) 2. EMS Energy Limited (Chief Financial Officer)	Fuxing China Group Limited (Chief Financial Officer)

Notes:

* Mr Lee Wan Sing was re-designated as an Executive Director of the Company with effect from 13 October 2011. Prior to his re-designation, Mr Lee Wan Sing was an Alternate Director to Mr Chen Choon Khee.

** Appointed with effect from 1 December 2011.

REPORT ON CORPORATE GOVERNANCE

1. **BOARD MATTERS** (Continued)

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole 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 and the contribution of individual Directors. The assessment parameters include 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.

Access to Information

Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

The Board is furnished with detailed management accounts every 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.

REPORT ON CORPORATE GOVERNANCE

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 three members, of whom two are Independent Directors:

Mr Tan Song Kwang (Chairman – Independent Director)
Mr Chua Hung Meng (Member – Independent Director)
Mr Chen Choon Khee (Member – Non-Executive and Non-Independent Director)

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 of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

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 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 Annual General Meeting ("AGM"). Similarly, the Non-Executive and Non-Independent Directors do not have service contracts and hence do not receive any salary. As they also do not receive any director's fees, they do not receive any form of remuneration at all for their services.

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 four 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.

REPORT ON CORPORATE GOVERNANCE

2. REMUNERATION MATTERS (Continued)

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 executives, and performance.

The remuneration of Directors is set out below:–:

Directors	Salary	Annual wages supplement	Other benefits	Director's fees	Total
Executive Directors					
(Below S$250,000)					
Liou Fangyou	100%	–	–	–	100%
Ou Zhiguo	100%	–	–	–	100%
Liu Guolin	100%	–	–	–	100%
Lee Wan Sing*	–	–	–	–	–
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					
Chen Choon Khee	–	–	–	–	–

Note:

* Re-designated as an Executive Director of the Company with effect from 13 October 2011. Prior to his re-designation, Mr Lee Wan Sing was an Alternate Director to Mr Chen Choon Khee.

** Appointed with effect from 1 December 2011.

The Company does not have any employee share option schemes or other long-term incentive scheme for Directors.

REPORT ON CORPORATE GOVERNANCE

2. REMUNERATION MATTERS (Continued)

Details of remuneration paid to top five key executives of the Group (who are not Directors) are as follows:

Remuneration band & Name of Key Executives	Salary	Annual wages supplement	Other benefits	Total
(Below S$250,000)				
Huang An Li*	100%	–	–	100%
Wang Huanbin	100%	–	–	100%
Zhang Wenpu#	100%	–	–	100%
Wong Chiew Yuen**	92%	8%	–	100%
Ally Low Yoke Bing##	92%	8%	–	100%
Loh Why Kit	91%	9%	–	100%

Note:
* Resigned with effect from 10 August 2011
** Resigned with effect from 30 May 2011
\# Appointed with effect from 10 August 2011
\## Appointed with effect from 1 June 2011

None of the employees of the Group whose annual remuneration exceeds S$150,000 are immediate family members of the CEO or any other Directors of the Company.

The Board has reviewed and approved the remuneration packages of the Directors and key executives, having regard to their contributions as well as the financial performance and commercial needs of the Group and has ensured that the Executive Directors and key executives are adequately but not excessively remunerated.

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.

REPORT ON CORPORATE GOVERNANCE

3. ACCOUNTABILITY AND AUDIT (Continued)

Audit Committee

Principle 11: 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 four members, of whom 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)
Mr Chen Choon Khee (Member – Non-Executive and Non-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 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 re-appointment, 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.

REPORT ON CORPORATE GOVERNANCE

3. ACCOUNTABILITY AND AUDIT (Continued)

In July 2010, the SGX-ST and the Accounting and Corporate Regulatory Authority had launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" (the "Guidance") which aims to facilitate the AC in evaluating the external auditors. Accordingly, the AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the Guidance.

The AC has reviewed all non-audit services provided by the external auditors during the financial year ended 31 December 2011 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.

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

The AC has reviewed all "interested person transactions" (as defined in Chapter 9 of the Catalist Rules) during the financial year ended 31 December 2011 and is of the opinion that Chapter 9 of the Catalist Rules has been complied with.

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.

REPORT ON CORPORATE GOVERNANCE

3. ACCOUNTABILITY AND AUDIT (Continued)

Internal Controls

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

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

The Board recognises its responsibilities in ensuring a sound system of internal controls to safeguard shareholders' investments and the Company's assets. Rule 719(1) of the Catalist Rules requires an issuer to have a robust and effective system of internal controls, addressing financial, operational and compliance risks. Effective internal controls not only refer to financial controls but include, among others, business risk assessment and response, operational and compliance controls. 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. Based on the internal auditors' report submitted by the internal auditors and the various controls put in place by the Management, the Board, with the concurrence of the AC, are of the view that there are adequate internal controls.

The internal auditors report primarily to the Chairman of the AC and administratively to the CEO. 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.

All internal audit reports are submitted to the AC for deliberations and copies of these reports are given to the relevant senior management.

4. COMMUNICATION WITH SHAREHOLDERS

Communication with shareholders

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

The Company strives for timeliness and transparency in its disclosures to the shareholders and the public. The Company does not practice selective disclosure as all price sensitive information is released through SGXNET for market dissemination. A copy of the Annual Report and Notice of AGM will be distributed to all shareholders of the Company.

REPORT ON CORPORATE GOVERNANCE

4. COMMUNICATION WITH SHAREHOLDERS (Continued)

Greater shareholder participation

Principle 15: Companies should encourage greater shareholder participation at annual general meetings, 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 Board members are in attendance at the AGM to address any question raised. The chairpersons of the 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.

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 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. RISK MANAGEMENT

The Company does not have a Risk Management Committee. However, our Management regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Board and the AC. The following sets out an overview of the Company's approach to risk management and business control with a brief description of the nature and the extent of its exposure to these risks. However, the risk overview is not exhaustive.

REPORT ON CORPORATE GOVERNANCE

6. RISK MANAGEMENT (Continued)

Key contracts

The Group's businesses are materially reliant on a few key sales contracts. The key sales contracts are related to supply semi-manufactured fried and roasted peanuts to customers in Japan and South Korea. The cancellation or renegotiation of any such key contracts could have an adverse effect on the financial condition and results of operations of the Group. The Group has taken the necessary measures to mitigate this risk by putting more effort in promoting its coated peanut crackers and expanding the distribution network of this product under its own brand name "DongBao" in the People's Republic of China ("PRC") and overseas consumer markets.

Product liability risk

A Product Liability Risk Management framework has been drawn up with input from senior management and operational staff. The Product Liability Risk Management framework sets out established protocols, policies, and procedures for senior management to respond to potential product liability incidences. The Directors believe that the existence of a Product Liability Risk Management framework helps in mitigating some of the product liability risks, should there be claims from consumers alleging illness after consuming our peanut products. The Company has not taken up product liability insurance coverage as the Directors opine that there is no such coverage available in the Shandong Province, PRC.

Financial and business inherent risks

The nature of the Group business requires the Group to buffer certain quantity of raw peanuts for manufacturing purpose taking all account that the raw peanut is a perishable item. In the event if the demands of the Group products do unexpectedly decline coupled with the declining of raw peanuts prices, the Group could incur losses on disposal of excess and unused raw peanuts. To mitigate such risks the management has taken prudent measures in controlling inventory levels and keeping the inventory at the minimum level while the raw peanuts procurement department will keep close contact with the suppliers so as to ensure a sufficient supply of raw peanuts in the event that the demand of the Group products is to surge suddenly. The steps taken by the Group to manage its exposure to financial risk are set out in the Financial Report on pages 81 to 84 of the Financial Statements.

Significant price fluctuations of raw materials

The Group had, since the incorporation of Jiangyin Chengsheng Engineering Co.,Ltd ("Jiangyin Chengsheng") in June 2011, expanded its business to include the supply of industrial and construction materials, covering metal and 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 PRC.

REPORT ON CORPORATE GOVERNANCE

6. RISK MANAGEMENT (Continued)

As a manufacturer and trader for the mild steel bars and high tensile steel bars, raw steel bars are the main component of the Group's cost of sales. However, the market price of raw steel bar is subject to fluctuations in regional and global supply and demand conditions, which are in turn affected by a number of factors including cyclical changes in regional and global economic conditions and prices. Therefore, in the event of any significant increase in the costs of raw steel bar and we are unable to find a cheaper source of supply on timely basis, our results of operations and financial performance will be adversely affected.

To mitigate such risk, the Group currently only purchase the raw steel bar based on confirmed sales order received from customers and thus transfers the price fluctuation risk to the customers. In addition, the Group has also managed to maintain low level of inventory for finished products to satisfy the ad hoc sales order.

7. INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transaction with interested persons and has set out the procedures for review and approval of the Company's interested person transactions.

Save as disclosed in this paragraph, there were no interested person transactions entered into by the Group during the financial year ended 31 December 2011 (other than transactions less than S$100,000).

Name of Interested Person	FY2011 RMB'000	FY2010 RMB'000
Sinolion Management Ltd*		
– Sales proceeds from disposal of subsidiaries	**36,000**	NIL

The Company had, on 22 December 2011 executed a conditional Share Sale Agreement ("Share Sale Agreement") for the sale of its entire interest in the equity of each of its wholly-owned subsidiaries, 华隆（乳山）食品工业有限公司 (Hualong (Rushan) Food Stuffs Enterprise Co., Ltd.) ("Hualong") and 乳山隆相有限公司 (Rushan Longxiang Foodstuff Co., Ltd.) ("Longxiang") (together with Hualong, the "Sale Group Companies") (the "Proposed Disposal") to Sinolion Management Limited (the "Purchaser") for an aggregate cash consideration of RMB36.00 million ("Consideration").

The Proposed Disposal constitutes both a major transaction and an interested person transaction under Chapter 10 and Chapter 9 of the Catalist Rules respectively, and shareholders' approval was obtained at an extraordinary general meeting held on 18 January 2012.

REPORT ON CORPORATE GOVERNANCE

7. INTERESTED PERSON TRANSACTIONS (Continued)

The Company had, with the Purchaser, entered into a Supplemental Agreement dated 28 February 2012 supplementing the terms of the Share Sale Agreement. Under the Supplemental Agreement, the Company and the Purchaser agreed that effective upon completion of the sale and purchase, all benefits, risks, rights and obligations attached to and associated with the equity in the Sale Group Companies will be transferred to and assumed by the Purchaser as from 1 January 2012.

As at the date of this report, the Group has received approximately RMB30.00 million of the consideration.

Note:
* Sinolion Management Limited is a company established in the British Virgin Islands and is entirely beneficially owned by Mr Liou Fangyou, the Executive Chairman of the Company.

8. MATERIAL CONTRACTS

Save as disclosed in paragraph 7 above, there are no material contracts of the Company or its subsidiaries involving the interest of any Director or Controlling Shareholder subsisting at the end of the financial year ended 31 December 2011.

9. USE OF PLACEMENT PROCEEDS

On 20 April 2010 and 2 November 2010, the Company completed the issue of 10,000,000 and 84,002,520 ordinary shares respectively by way of share placement exercises. The entire net proceeds was S$4.30 million (approximately RMB21.50 million). Out of the entire net proceeds, S$0.45 million (approximately RMB2.25 million) was used as working capital and the balance of S$3.85 million (approximately RMB19.25 million), has been utilized to inject share capital into Jiangyin Chengsheng, in accordance with the use approved by shareholders at the Extraordinary General Meeting held on 6 September 2010.

10. 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 2011.

The total amount of fees paid to the affiliates of CNP Compliance Pte. Ltd., namely Colin Ng & Partners LLP for legal and corporate secretarial work done for the financial year ended 31 December 2011 was approximately S$58,700 (approximately RMB293,500) (excluding disbursements and GST).

11. NON-AUDIT FEES

The amount of non-audit fees paid to the external auditor of the Company and other auditors during the financial year was RMB46,000 and RMB51,000 respectively.

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 2011.

Directors

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

Liou Fangyou	(Executive Chairman)
Ou Zhiguo	
Liu Guolin	
Lee Wan Sing	Re-designated on 13 October 2011
Chen Choon Khee	
Chua Hung Meng	
Tan Song Kwang	
Koh Choon Kong	Appointed on 1 December 2011

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/ date of appointment**	**At end of the year**	**At beginning of the year/ date of appointment**	**At end of the year**
The Company				
Ordinary shares				
Liou Fangyou	13,838,001	13,838,001	60,527,833	60,527,833
Lee Wan Sing	–	–	4,002,520	4,002,520
Chen Choon Khee	10,000,000	10,000,000	10,000,000	10,000,000

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 of the financial year, or date of appointment, if later, or at the end of the financial year.

DIRECTORS' REPORT

Directors' interests (Continued)

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2012.

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.

Except for salaries and fees and those benefits that are disclosed in this report and in note 24 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
- Chen Choon Khee, Non-Executive and Non-Independent Director

DIRECTORS' REPORT

Audit committee (Continued)

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 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 forthcoming 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

Liou Fangyou
Director

Ou Zhiguo
Director

30 March 2012

STATEMENT BY DIRECTORS

In our opinion:

(a) the financial statements set out on pages 39 to 86 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 2011 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

Liou Fangyou
Director

Ou Zhiguo
Director

30 March 2012

INDEPENDENT AUDITORS' REPORT

Members of the Company
Oriental Group Ltd.
(formerly known as Oriental Food (Holdings) Ltd.)

Report on the financial statements

We have audited the accompanying financial statements of Oriental Group Ltd. (formerly known as Oriental Food (Holdings) Ltd.) (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 39 to 86.

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.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Oriental Group Ltd.
(formerly known as Oriental Food (Holdings) Ltd.)

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 2011 and the results, changes in equity and cash flows of the Group for the year ended on that date.

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
Certified Public Accountants

Singapore
30 March 2012

BALANCE SHEETS

AS AT 31 DECEMBER 2011

		Group		Company	
		2011	2010	2011	2010
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	4	**2,456**	30,510	**–**	–
Intangible assets	5	**44**	–	**–**	–
Subsidiaries	6	**–**	–	**958**	43,800
Lease prepayments	7	**–**	10,983	**–**	–
		2,500	41,493	**958**	43,800
Current assets					
Inventories	8	**15,961**	52,868	**–**	–
Trade and other receivables	9	**72,808**	11,282	**56,198**	3,005
Cash at bank and in hand		**10,589**	29,666	**210**	22,128
		99,358	93,816	**56,408**	25,133
Current liabilities					
Trade and other payables	10	**47,399**	19,749	**4,502**	3,018
Interest-bearing liabilities	11	**–**	54,757	**–**	–
Deferred income		**–**	102	**–**	–
Current tax payable		**–**	47	**–**	–
		47,399	74,655	**4,502**	3,018
Net current assets		**51,959**	19,161	**51,906**	22,115
Non-current liabilities					
Interest-bearing liabilities	11	**–**	1,841	**–**	–
Net assets		**54,459**	58,813	**52,864**	65,915
Equity attributable to equity holders of the Company					
Share capital	12	**72,333**	72,333	**72,333**	72,333
Reserves	13	**(17,874)**	(13,520)	**(19,469)**	(6,418)
Total equity		**54,459**	58,813	**52,864**	65,915

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2011

	Note	2011 RMB'000	2010 RMB'000 Restated*
Continuing operations			
Revenue		**101,947**	17
Cost of sales		**(100,185)**	(11)
Gross profit		**1,762**	6
Other income		**1,280**	137
Distribution expenses		**(307)**	–
Administrative expenses		**(6,484)**	(4,345)
Other expenses		**(20)**	–
Results from operating activities		**(3,769)**	(4,202)
Finance income	15	**268**	64
Finance expenses	15	**(85)**	(58)
Net finance income		**183**	6
Loss before income tax		**(3,586)**	(4,196)
Income tax expense	16	**–**	–
Loss from continuing operations		**(3,586)**	(4,196)
Discontinued operation			
Loss from discontinued operation (net of tax)	19	**(747)**	(6,288)
Loss for the year	17	**(4,333)**	(10,484)
Other comprehensive income for the year:			
Translation differences relating to financial statements of a subsidiary with functional currency other than RMB		**(21)**	8
Total comprehensive income for the year, net of tax		**(4,354)**	(10,476)
Earnings per share			
Basic and diluted loss per share (RMB cents)	18	**(2.1)**	(7.5)
Earnings per share – continuing operations			
Basic and diluted loss per share (RMB cents)	18	**(1.7)**	(3.0)

* see note 3.19.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2011

	Note	Share capital RMB'000	Merger deficit RMB'000	Capital reserve RMB'000	Accu-mulated losses RMB'000	Foreign currency translation reserve RMB'000	Total equity RMB'000
At 1 January 2010		50,544	(6,636)	12,165	(8,402)	(171)	47,500
Total comprehensive income for the year							
Loss for the year		–	–	–	(10,484)	–	(10,484)
Other comprehensive income							
Foreign currency translation difference		–	–	–	–	8	8
Total comprehensive income for the year		–	–	–	(10,484)	8	(10,476)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of shares	12	21,789	–	–	–	–	21,789
Total transactions with owners of the Company		21,789	–	–	–	–	21,789
At 31 December 2010		72,333	(6,636)	12,165	(18,886)	(163)	58,813
At 1 January 2011		72,333	(6,636)	12,165	(18,886)	(163)	58,813
Total comprehensive income for the year							
Loss for the year		–	–	–	(4,333)	–	(4,333)
Other comprehensive income							
Foreign currency translation difference		–	–	–	–	(21)	(21)
Total comprehensive income for the year		–	–	–	(4,333)	(21)	(4,354)
Transactions with owners, recorded directly in equity							
Changes in ownership interests in subsidiaries							
Disposal of subsidiaries		–	6,636	(11,591)	4,955	–	–
Total changes in ownership interests in subsidiaries		–	6,636	(11,591)	4,955	–	–
Total transactions with owners of the Company		–	6,636	(11,591)	4,955	–	–
At 31 December 2011		**72,333**	**–**	**574**	**(18,264)**	**(184)**	**54,459**

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

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2011

	Note	2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Loss after income tax		**(4,333)**	(10,484)
Add: income tax expenses		**236**	–
Loss before income tax		**(4,097)**	(10,484)
Adjustments for:			
Amortisation of deferred income		**(67)**	(62)
(Gain)/Loss on disposal of property, plant and equipment		**(1,185)**	10
Gain on sales of discontinued operation, net of tax	19	**(2,138)**	–
Property, plant and equipment written off		**–**	545
Impairment loss of property, plant and equipment		**–**	3,753
Depreciation of property, plant and equipment		**2,787**	2,631
Amortisation of lease prepayments		**246**	246
Amortisation of intangible assets		**62**	–
Interest income		**(42)**	(23)
Interest expense		**3,217**	3,104
		(1,217)	(280)
Changes in inventories		**(2,679)**	7,900
Changes in trade and other receivables		**(46,012)**	482
Changes in trade and other payables		**34,468**	(3,486)
Cash (used in)/generated from operations		**(15,440)**	4,616
Income taxes paid		**(115)**	–
Net cash (used in)/generated from operating activities		**(15,555)**	4,616
Cash flows from investing activities			
Interest received		**42**	23
Purchase of property, plant and equipment		**(2,131)**	(1,923)
Purchase of intangible assets		**(283)**	–
Proceeds from disposal of property, plant and equipment		**3,400**	246
Disposal of subsidiaries, net of cash	19	**(8,354)**	–
Net cash used in investing activities		**(7,326)**	(1,654)
Cash flows from financing activities			
Interest paid		**(3,217)**	(3,041)
Repayment of bank loans		**(60,808)**	(48,099)
Proceeds from bank loans		**62,850**	41,000
Repayment of loans from related parties		**–**	(10,600)
Proceeds from loans from related parties		**–**	10,600
Repayment of loan from a third party		**–**	(3,000)
Proceeds from loan from a third party		**5,000**	3,000
Proceeds from issuance of shares		**–**	21,789
Net cash generated from financing activities		**3,825**	11,649
Net (decrease)/increase in cash and cash equivalents		**(19,056)**	14,611
Cash and cash equivalents at beginning of the year		**29,666**	15,055
Effect of exchange rate fluctuation on cash		**(21)**	–
Cash and cash equivalents at end of the year		**10,589**	29,666

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 30 March 2012.

1 Domicile and activities

Oriental Group Ltd. (formerly known as Oriental Food (Holdings) Ltd) (the "Company") is a company incorporated in the Republic of Singapore. The address of the Company's registered office is 133 Cecil Street, #11-02A Keck Seng Tower, Singapore 069535.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the Group).

The principal activity of the Company is investment holding.

The principal activities of the Group prior to the disposal of its peanuts business (as described in note 19) was that relating to the manufacture and sale of processed peanut products. With the new business segment, 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).

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

The financial statements are presented in PRC Renminbi (RMB), which is the Company's functional currency. All financial information presented in RMB has been rounded to the nearest thousand, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation (Continued)

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 22.

2.5 Changes in accounting policies

Identification of related party relationships and related party disclosure

From 1 January 2011, the Group applied the revised FRS 24 *Related Party Disclosures* (2010) to identify parties that are related to the Group and to determine the disclosures to be made on transactions and outstanding balances, including commitments, between the Group and its related parties. FRS 24 (2010) improved the definition of a related party in order to eliminate inconsistencies and ensure symmetrical identification of relations between two parties.

The adoption of FRS 24 (2010) has resulted in additional parties being identified as related to the Group. Transactions and outstanding balances, including commitments, with these related parties for the current and comparative years have been disclosed accordingly in notes 9, 10 and 24 and to the financial statements.

The adoption of FRS 24 (2010) affects only disclosures made in the financial statements. There is no financial effect on the results and financial position of the Group for the current and previous financial years. Accordingly, the adoption of FRS 24 (2010) has no impact on earnings per share.

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 described in note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method 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.

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.

Any contingent consideration payable is recognised at fair value at the acquisition date. 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 the profit or loss.

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 the 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.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.1 Basis of consolidation (Continued)

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 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.

Foreign operations

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

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.2 Foreign currencies (Continued)

Foreign operations (Continued)

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency 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 foreign currency 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 Group disposes of only part of its investment in an associate or jointly controlled entity that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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 are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

3.3 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, on 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.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.3 Property, plant and equipment (Continued)

Recognition and measurement (Continued)

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income or other expenses 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 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.

The estimated useful lives are as follows:

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

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

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

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.4 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 impairment losses.

Amortisation is calculated 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 balance sheet 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.

3.5 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 costs 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.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.5 Non-derivative financial assets (Continued)

Loans and receivables

Loans and receivables (including liabilities designated at fair value through profit or loss) 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.

3.6 Non-derivative financial liabilities

All financial liabilities 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 expire.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.7 Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Group that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to profit or loss.

3.8 Share capital

Ordinary shares are classified as equity.

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

3.9 Impairment of 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 considered impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event 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.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.9 Impairment of financial assets (Continued)

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.

3.10 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 higher of its fair value less costs to sell and its value in use. 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)

3.10 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.

3.11 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.

Lease prepayments

Leases of land use rights are classified as operating leases. The prepaid lease payments are charged to profit or loss on a straight-line basis over their lease term of 50 years.

3.12 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)

3.13 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 expense in profit or loss incurred in the periods during which services are rendered by employees.

Short-term 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 Deferred income

Deferred income comprises the difference in interest payments required over the tenure of the government loan as compared to a loan at market interest rates. Deferred income is recognised in profit or loss using the effective interest method during the tenure of the government loan.

3.15 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 receivables, 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.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.15 Revenue recognition (Continued)

Government grant

Government grant is recognised when the right to receive payment is established. A grant in recognition of specific expenses is taken to profit or loss in the same year as the relevant expenses.

Rental income

Rental income receivable under operating lease is recognised in profit or loss on a straight-line basis over the term of the lease.

Dividends

Dividend income is recognised in profit or loss when the shareholders' right to receive payment is established.

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 expenses comprise 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 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.

NOTES TO THE FINANCIAL STATEMENTS

3 **Significant accounting policies** (Continued)

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.

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 it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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 the ordinary course of business, there are many transactions and calculations for which the ultimate tax treatment is uncertain. Therefore, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when the Group believes that certain positions may not be fully sustained upon review by tax authorities, despite the Group's belief that its tax return positions are supportable. 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 multifaceted judgments about future events. New information may become available that causes the Group to change its judgment 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.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

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.

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 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

NOTES TO THE FINANCIAL STATEMENTS

4 Property, plant and equipment

Group	Leasehold buildings RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Computers RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Capital work-in-progress RMB'000	Total RMB'000
Cost								
At 1 January 2010	39,269	16,681	1,058	537	1,911	–	231	59,687
Additions	646	721	45	92	419	–	–	1,923
Disposals/Written-off	–	(284)	–	–	(1,271)	–	(231)	(1,786)
Translation differences	91	–	4	1	–	–	–	96
At 31 December 2010	40,006	17,118	1,107	630	1,059	–	–	59,920
Additions	–	2,769	80	14	–	347	1,165	4,375
Disposal	(2,331)	–	(127)	–	–	–	–	(2,458)
Disposal of subsidiaries	(37,675)	(17,778)	(980)	(593)	(1,059)	–	(1,139)	(59,224)
Written-off	–	–	–	(15)	–	–	–	(15)
At 31 December 2011	–	2,109	80	36	–	347	26	2,598
Accumulated depreciation and impairment losses								
At 1 January 2010	10,931	10,416	575	438	1,645	–	–	24,005
Depreciation charge for the year	1,284	1,148	80	32	87	–	–	2,631
Impairment	3,753	–	–	–	–	–	–	3,753
Disposals/Written-off	–	(28)	–	–	(957)	–	–	(985)
Translation differences	4	–	1	1	–	–	–	6
At 31 December 2010	15,972	11,536	656	471	775	–	–	29,410
Depreciation charge for the year	1,711	887	76	40	67	6	–	2,787
Disposal	(186)	–	(57)	–	–	–	–	(243)
Disposal of subsidiaries	(17,497)	(12,323)	(675)	(460)	(842)	–	–	(31,797)
Written-off	–	–	–	(15)	–	–	–	(15)
At 31 December 2011	–	100	–	36	–	6	–	142
Carrying amount								
At 1 January 2010	28,338	6,265	483	99	266	–	231	35,682
At 31 December 2010	24,034	5,582	451	159	284	–	–	30,510
At 31 December 2011	–	2,009	80	–	–	341	26	2,456

NOTES TO THE FINANCIAL STATEMENTS

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

	Computers	
	2011	2010
Company	RMB'000	RMB'000
Cost		
At 1 January and 31 December	**36**	36
Accumulated depreciation		
At 1 January and 31 December	**36**	36
Carrying amount		
At 1 January and 31 December	**–**	–

The carrying amount of property, plant and equipment pledged as security to secure bank loans is set out below:

	Group	
	2011	2010
	RMB'000	RMB'000
Leasehold buildings	–	15,317

Impairment of property, plant and equipment

Prior to 2008, the Group commenced construction of a building with the intention of using it as an exhibition centre for its peanut products. Subsequently, management re-assessed its plans and decided not to proceed with its plan to construct the exhibition centre. The building has thus been idle and pending feasibility studies to convert to an alternative use. Based on management's assessment, an impairment loss of RMB1,917,000 was recognised in 2008.

In 2010, the Group entered into a contract to acquire the land where the exhibition centre was located. As at 31 December 2010, the Group has made a payment of RMB647,000. In view that management does not have future plans for the land where the exhibition building is situated, the amount of RMB647,000 has been impaired in 2010.

In addition, due to the continued operating losses in the peanut business in 2010, management identified potential indicators of impairment for certain plant and machinery and carried out an impairment assessment on its property, plant and equipment. For this purpose, the recoverable amount was estimated based on their value in use. Based on the assessment, an impairment loss of RMB3,106,000 was recognised in 2010 under "other expenses".

NOTES TO THE FINANCIAL STATEMENTS

5 Intangible assets

	Computer software RMB'000
Cost	
At 1 January 2011	–
Additions	283
Disposal of subsidiaries	(237)
At 31 December 2011	**46**
Accumulated amortisation	
At 1 January 2011	–
Amortisation for the year	62
Disposal of subsidiaries	(60)
At 31 December 2011	**2**
Carrying amount	
At 1 January 2011	–
At 31 December 2011	**44**

6 Subsidiaries

	Company	
	2011 RMB'000	2010 RMB'000
Equity investments, at cost	**958**	43,800

NOTES TO THE FINANCIAL STATEMENTS

6 **Subsidiaries** (Continued)

Details of subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Effective equity held by the Group 2011 %	2010 %
[1] Hualong (Rushan) Foodstuffs Enterprise Co., Ltd (Hualong)	People's Republic of China	–	100
[1] Rushan Longxiang Foodstuff Co., Ltd (Longxiang)	People's Republic of China	–	100
[3] Jiangyin Chengsheng Engineering Co., Ltd (Jiangyin Chengsheng)	People's Republic of China	**100**	–
[2] Ori Food Pte. Ltd.	Singapore	**100**	100
[2] Oriental Investment Group Pte. Ltd.	Singapore	**100**	100

[1] The statutory auditor of the subsidiaries is Rushan Taihe Certified Public Accountants Co., Ltd, a member firm of the Chinese Institute of Public Accountants. The statutory audited financial statements of the subsidiaries are prepared in accordance with the PRC generally accepted accounting principles. For the purpose of this report, the financial statements of these subsidiaries have been prepared in accordance with Singapore Financial Reporting Standards for consolidation purposes only.

[2] Audited by KPMG LLP.

[3] Audited by KPMG Huazhen.

NOTES TO THE FINANCIAL STATEMENTS

7 Lease prepayments

	Group	
	2011	**2010**
	RMB'000	**RMB'000**
Cost		
At 1 January	**12,788**	12,788
Disposal of subsidiaries	**(12,788)**	–
At 31 December	**–**	12,788
Accumulated amortisation and impairment losses		
At 1 January	**1,805**	1,559
Amortisation charge for the year	**246**	246
Disposal of subsidiaries	**(2,051)**	–
At 31 December	**–**	1,805
Carrying amount		
At 1 January	**10,983**	11,229
At 31 December	**–**	10,983

Lease prepayments with a carrying amount of RMB Nil (2010: RMB6,757,000) are pledged as security to secure bank loans.

8 Inventories

	Group	
	2011	**2010**
	RMB'000	**RMB'000**
Raw materials, at cost	**5,257**	47,288
Finished goods, at cost	**10,704**	5,580
	15,961	52,868

Inventories with a carrying amount of RMB nil (2010: RMB22,270,000) are pledged as security to secure bank loans.

In 2011, raw materials and changes in finished goods recognised as cost of sales amounted to RMB100,185,000 (2010: nil).

NOTES TO THE FINANCIAL STATEMENTS

9 Trade and other receivables

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade receivables	**40,593**	6,441	**–**	–
Bill receivable	**600**	–	**–**	–
Allowance for doubtful debts	**–**	(80)	**–**	–
Net receivables	**41,193**	6,361	**–**	–
Value added tax recoverable	**320**	2,375	**–**	–
Other receivables	**–**	975	**–**	–
Other deposits	**197**	1	**197**	–
Dividend receivable from subsidiaries	**–**	–	**–**	2,120
Amounts due from a subsidiary (non-trade)	**–**	–	**24,903**	885
Amounts due from a related company (non-trade)	**31,098**	–	**31,098**	–
Loans and receivables	**72,808**	9,712	**56,198**	3,005
Prepayments	**–**	1,570	**–**	–
	72,808	11,282	**56,198**	3,005

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

The non-trade amount due from a related company is the consideration receivable upon the execution of the conditional Share Sale Agreement (Share Sale Agreement) for the sale of the Group's entire equity interest in its wholly-owned subsidiaries, Hualong and Longxiang. The amounts are unsecured, interest-free and repayable within the next financial year.

The Group's primary exposure to credit risk arises through its trade receivables. At the reporting date, 2 (2010: 2) customers account for 91% (2010: 30%) of these outstanding receivables.

NOTES TO THE FINANCIAL STATEMENTS

9 **Trade and other receivables** (Continued)

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

Group	Gross 2011 RMB'000	Impairment losses 2011 RMB'000	Gross 2010 RMB'000	Impairment losses 2010 RMB'000
No credit terms	**197**	**–**	3,351	–
Not past due	**68,500**	**–**	4,378	–
Past due 1 – 30 days	**4,111**	**–**	1,432	–
Past due 31 – 120 days	**–**	**–**	275	–
More than 120 days	**–**	**–**	356	(80)
	72,808	**–**	9,792	(80)

Company	Gross 2011 RMB'000	Impairment losses 2011 RMB'000	Gross 2010 RMB'000	Impairment losses 2010 RMB'000
No credit terms	**25,100**	**–**	–	–
Not past due	**31,098**	**–**	3,005	–
No credit terms	**56,198**	**–**	3,005	–

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

	Group 2011 RMB'000	Group 2010 RMB'000
At 1 January	**80**	271
Recognised during the year	**–**	80
Utilised during the year	**–**	(271)
Disposal of subsidiaries	**(80)**	–
At 31 December	**–**	80

At 31 December 2011, an impairment loss of RMB nil (2010: RMB80,000) was recognised on trade receivables from customers that have indicated that they are unable to repay their outstanding balances.

Based on historical default rates, the Group believes that, apart from the above, 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.

NOTES TO THE FINANCIAL STATEMENTS

10 Trade and other payables

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade payables	**30,102**	2,518	**–**	–
Advances received	**247**	1,248	**–**	–
Accrued operating expenses:				
– Directors' fees	**355**	356	**355**	356
– Others	**3,864**	11,324	**2,969**	993
Amounts due to directors	**1,236**	1,083	**849**	1,083
Other payables	**2,534**	3,220	**329**	586
Amount due to related companies (trade)	**6,952**	–	**–**	–
Amount due to related companies (non-trade)	**2,109**	–	**–**	–
	47,399	19,749	**4,502**	3,018

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

11 Interest-bearing liabilities

	Group	
	2011	**2010**
	RMB'000	**RMB'000**
Non-current liabilities		
Secured loan from bank	–	1,268
Unsecured loan from government	–	573
	–	1,841
Current liabilities		
Secured loans from banks	–	54,082
Unsecured loan from government	–	675
	–	54,757
Total loans and borrowings	–	56,598

NOTES TO THE FINANCIAL STATEMENTS

11 Interest-bearing liabilities (Continued)

The secured bank loans are secured on the following assets:

	2011 RMB'000	2010 RMB'000
Leasehold buildings	–	15,317
Lease prepayments	–	6,757
Inventories	–	22,270
	–	44,344

Terms and debt repayment schedule

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

	2011 Nominal interest rate %	2010 Nominal interest rate %	Year of maturity	2011 Face value RMB'000	2011 Carrying amount RMB'000	2010 Face value RMB'000	2010 Carrying amount RMB'000
Group							
Floating interest rate loan from bank	–	1.05 of SHIBOR[(1)]	2011	–	–	13,000	13,000
Floating interest rate loan from bank	–	SHIBOR[(1)]	2011	–	–	7,000	7,000
Floating interest rate loan from bank	–	1.01 of SHIBOR[(1)]	2011	–	–	9,000	9,000
Fixed interest rate loan from bank	–	4.8	2021	–	–	1,350	1,350
Fixed interest rate loans from banks	–	5.3	2011	–	–	25,000	25,000
Fixed interest rate loan from government	–	2.4	2012	–	–	1,350	1,248
				–	–	56,700	56,598

(1) SHIBOR stands for Shanghai Interbank Offered Rate

NOTES TO THE FINANCIAL STATEMENTS

11 Interest-bearing liabilities (Continued)

Management has determined that the carrying amounts of the Group's and Company's financial liabilities based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

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

	Carrying amount	Cash flows			
Group	**RMB'000**	**Contractual cash flows RMB'000**	**Within 1 year RMB'000**	**Between 2 to 5 years RMB'000**	**More than 5 years RMB'000**
2011					
Financial liabilities					
Trade and other payables	**47,399**	**(47,399)**	**(47,399)**	**–**	**–**
Financial liabilities held at amortised cost	**47,399**	**(47,399)**	**(47,399)**	**–**	**–**

	Carrying amount	Cash flows			
Group	**RMB'000**	**Contractual cash flows RMB'000**	**Within 1 year RMB'000**	**Between 2 to 5 years RMB'000**	**More than 5 years RMB'000**
2010					
Financial liabilities					
Floating interest rate loans from banks	29,000	(30,307)	(30,307)	–	–
Fixed interest rate loans from bank	26,350	(27,797)	(26,138)	(481)	(1,178)
Fixed interest rate loan from government	1,248	(1,398)	(707)	(691)	–
Trade and other payables	19,749	(19,749)	(19,749)	–	–
Financial liabilities held at amortised cost	76,347	(79,251)	(76,901)	(1,172)	(1,178)

NOTES TO THE FINANCIAL STATEMENTS

11 Interest-bearing liabilities (Continued)

Group	Carrying amount RMB'000	Cash flows Contractual cash flows RMB'000	Within 1 year RMB'000	Between 2 to 5 years RMB'000	More than 5 years RMB'000
Company					
2011					
Financial liabilities					
Trade and other payables	**4,502**	**(4,502)**	**(4,502)**	**–**	**–**
Financial liabilities held at amortised cost	**4,502**	**(4,502)**	**(4,502)**	**–**	**–**
2010					
Financial liabilities					
Trade and other payables	3,018	(3,018)	(3,018)	–	–
Intragroup financial guarantee	1,350	(1,350)	(1,350)	–	–
	4,368	(4,368)	(4,368)	–	–

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

Intra-group guarantees

Intra-group financial guarantees comprise guarantees granted by the Company to a bank in respect of banking facilities obtained by a subsidiary amounting to RMB nil (2010: RMB1,350,000). Management has assessed that the carrying amount of the intra-group financial guarantees approximate their fair value at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

12 Share capital

	Group and Company	
	2011	**2010**
	No. of shares	**No. of shares**
Fully paid ordinary shares, with no par value:		
At 1 January	**208,564,203**	114,561,683
Issued for cash	**–**	94,002,520
At 31 December	**208,564,203**	208,564,203

During 2010, the Company issued 10,000,000 ordinary shares at S$0.05 (approximately RMB0.22) each on 20 April 2010 and an additional 84,002,520 ordinary shares at S$0.04762 (approximately RMB0.23) each on 2 November 2010.

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 at meetings of the Company. All shares (excluding treasury shares) rank equally with regard to the Company's residual assets.

13 Reserves

		Group		Company	
		2011	**2010**	**2011**	**2010**
	Note	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Merger deficit	(i)	**–**	(6,636)	**–**	–
Capital reserve	(ii)	**574**	12,165	**574**	574
Accumulated losses		**(18,264)**	(18,886)	**(20,043)**	(6,992)
Foreign currency translation reserve	(iii)	**(184)**	(163)	**–**	–
		(17,874)	(13,520)	**(19,469)**	(6,418)

(i) The merger deficit arises from the difference between the nominal value of shares issued by the Company and the nominal value of shares of the subsidiaries acquired under the pooling-of-interests method of consolidation. During the year, the merger deficit was transferred to accumulated losses upon disposal of the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

13 Reserves (Continued)

(ii) Capital reserve comprises the following:

Redeemable convertible bonds

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.

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.

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.

During the year, the capital reserve was transferred to accumulated losses upon the disposal of the foreign subsidiaries.

(iii) The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of a subsidiary whose functional currency is different from the functional currency of the Company.

14 Segment reporting

Information regarding the results of each reportable segment is included below. Performance is measured based on profit/(loss) before income tax, as included in the internal management reports that are reviewed by the Board of Directors. Profit/(Loss) 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. Inter-segment pricing is determined on an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS

14 **Segment reporting** (Continued)

Segment information was presented in the prior year by geographical segment based on the Group's business in the peanut segment, which has been discontinued during the year. For the current year, a new business segment, industrial and construction materials, has been identified with the establishment of Jiangyin Chengsheng. As such, revenue and results are presented in accordance with the above mentioned business segments and geographical segments.

Operating segments

	Peanut (discontinued) RMB'000	Industrial and Construction Materials RMB'000	Others RMB'000	Total RMB'000
2011				
External revenue	**100,050**	**101,947**	**–**	**201,997**
Interest income	**42**	**–**	**–**	**42**
Interest expense	**3,132**	**–**	**85**	**3,217**
Depreciation and amortisation	**2,940**	**108**	**46**	**3,094**
Reportable segment loss before income tax	**(2,649)**	**(63)**	**278**	**(2,434)**
Other material non-cash items:				
Reportable segment assets	**–**	**68,552**	**31,098**	**99,650**
Capital expenditure	**2,050**	**2,608**	**–**	**4,658**
Reportable segment liabilities	**–**	**42,613**	**4,786**	**47,399**
2010				
External revenue	82,719	–	17	82,736
Interest income	23	–	–	23
Interest expense	3,045	–	58	3,103
Depreciation and amortisation	2,816	–	61	2,877
Reportable segment loss before income tax	(6,288)	–	(65)	(6,353)
Other material non-cash items:				
– Impairment on property, plant and equipment	3,753	–	–	3,753
– Property, plant and equipment written-off	545	–	–	545
Reportable segment assets	110,683	–	–	110,683
Capital expenditure	1,923	–	–	1,923
Reportable segment liabilities	74,160	–	4,456	78,616

NOTES TO THE FINANCIAL STATEMENTS

14 Segment reporting (Continued)

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

	2011 RMB'000	2010 RMB'000
Revenues		
Total revenue for reportable segments	**201,997**	82,719
Other revenue	**–**	17
Elimination of discontinued operations	**(100,050)**	(82,719)
Consolidated revenue	**101,947**	17
Profit or loss		
Total loss before income tax for reportable segments	**(2,712)**	(6,288)
Other profit or loss	**278**	(65)
	(2,434)	(6,353)
Unallocated amounts:		
– Gain/(Loss) on sale of property, plant and equipment	**1,185**	(10)
– Other corporate expenses	**(4,986)**	(4,121)
Elimination of discontinued operations	**2,649**	6,288
Consolidated loss from continuing operations before tax	**(3,586)**	(4,196)
Assets		
Total assets for reportable segments	**68,552**	110,683
Other assets*	**31,098**	–
Other unallocated amounts**	**2,208**	26,746
Elimination of inter-segment assets	**–**	(2,120)
Consolidated total assets	**101,858**	135,309
Liabilities		
Total liabilities for reportable segments	**42,613**	74,160
Other liabilities	**4,786**	4,456
Elimination of inter-segment liabilities	**–**	(2,120)
Consolidated total liabilities	**47,399**	76,496

* Other assets relates to non-trade amount due from a related company as described in note 9.

** Other unallocated assets for 2011 relates mainly to cash and cash equivalents. For 2010, it relates mainly to cash and cash equivalents and property, plant and equipment that was disposed in 2011.

NOTES TO THE FINANCIAL STATEMENTS

14 Segment reporting (Continued)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items (Continued)

	Reportable segment totals RMB'000	Adjustments RMB'000	Consolidated totals RMB'000
Other material items			
2011			
Interest expenses	**3,132**	**85**	**3,217**
Depreciation and amortisation	**3,048**	**46**	**3,094**
2010			
Interest expenses	3,045	58	3,103
Depreciation and amortisation	2,816	61	2,877

Geographical information

Revenue	**2011**		**2010**	
	RMB'000	**%**	**RMB'000**	**%**
China	**101,947**	**50.47**	–	–
Others	–	–	17	0.02
Discontinued operations	**100,050**	**49.53**	82,719	99.98
	201,997	**100.00**	82,736	100.00
Segmental non-current assets				
China	**2,500**	**100.00**	39,232	94.55
Singapore	–	–	2,261	5.45
	2,500	**100.00**	41,493	100.00

Major customer

Revenue from one customer of Group's peanut segment represents approximately RMB48,340,000 (2010: RMB41,800,000) of the Group's total revenue, while revenue from one customer of the Group's industrial and construction materials segment represents approximately RMB36,348,000 (2010: nil) of the Group's total revenue.

NOTES TO THE FINANCIAL STATEMENTS

15 Finance income and finance expense

	Group	
	2011	**2010**
	RMB'000	**RMB'000**
Continuing business		
Finance income		
Foreign exchange gain	**268**	64
Finance expense		
Interest expense relating to:		
– Banks	**(85)**	(58)
Net finance income from continuing operations	**183**	6
Discontinued business		
Finance income		
Interest income relating to:		
– Banks	**42**	23
Finance expense		
Interest expense relating to:		
– Banks	**(3,027)**	(2,946)
– Loan from government	**(100)**	(95)
– A third party	**(5)**	(4)
Foreign exchange loss	**(338)**	(317)
	(3,470)	(3,362)
Net finance expense from discontinued operation	**(3,428)**	(3,339)

NOTES TO THE FINANCIAL STATEMENTS

16 Income tax expense

	Note	Group 2011 RMB'000	Group 2010 RMB'000
Tax recognised in profit or loss			
Current tax expense			
Tax expense from continuing operations		**–**	–
Tax from discontinued operations (excluding gain on sale)	19	**236**	–
		236	–
Tax on gain on sale of discontinued operation	19	**325**	–
Total tax expense		**561**	–

Reconciliation of effective tax rate

	Note	Group 2011 RMB'000	Group 2010 RMB'000
Loss for the year			
– Continuing operations		**(3,586)**	(4,196)
– Discontinued operations	19	**(747)**	(6,288)
		(4,333)	(10,484)
Total tax expense		**561**	–
Loss excluding tax		**(3,772)**	(10,484)
Tax calculated using PRC tax rate of 25% (2010: 25%)		**(943)**	(2,621)
Effect of different tax rates and legislation		**(9)**	336
Income not subject to tax		**(455)**	–
Non-deductible expenses		**1,025**	386
Effect of temporary differences not recognised		**510**	1,411
Unrecognised tax losses		**430**	488
Others		**3**	–
		561	–

NOTES TO THE FINANCIAL STATEMENTS

16 Income tax expense (Continued)

Profits of Hualong, Longxiang and Jiangyin Chengsheng are subject to PRC income tax of 25% (2010: 25%).

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

Deferred tax assets have not been recognised in respect of the following:

	Group	
	2011	**2010**
	RMB'000	**RMB'000**
Deductible temporary differences	**13**	5,816
Tax losses	**346**	19,927

Deferred tax assets have not been recognised in respect of the above because it is not probable that future taxable profits will be available against which the Group can utilise the benefits. The tax losses are subject to agreement by the tax authorities, and compliance with tax regulations in the respective countries in which certain subsidiaries operate. The deferred taxes that have not been recognised in 2010 relates to the discontinued operations as described in note 19. These recognised deferred tax assets no longer belonged to the Group with the disposal of the subsidiaries. The deferred taxes not recognised in 2011 relates to the continuing business of the Group.The tax losses with expiry dates are as follows:

	Group	
	2011	**2010**
	RMB'000	**RMB'000**
Expiry dates		
– After 5 years	**48**	16,456

NOTES TO THE FINANCIAL STATEMENTS

17 Loss for the year

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

	Group	
	2011	2010
	RMB'000	RMB'000
Audit fees paid to:		
– auditors of the Company	**606**	459
– other auditors	**726**	337
Non-audit fees paid to:		
– auditors of the Company	**46**	14
– other auditors	**51**	–
Allowance for doubtful debts	**–**	80
Amortisation of deferred income	**(67)**	(63)
Amortisation of lease prepayments	**246**	246
Amortisation of intangible assets	**62**	–
Depreciation of property, plant and equipment	**2,787**	2,631
Government grant	**(1,645)**	(1,350)
Impairment of property, plant and equipment	**–**	3,753
Write-off of trade receivables	**20**	–
(Gain)/Loss on disposal of property, plant and equipment	**(1,185)**	10
Operating lease expense	**1,824**	–
Property, plant and equipment written-off	**–**	545
Rental income	**(95)**	(156)
Sale of food processing machinery and equipment	**–**	(246)
Sale of window frames	**–**	(51)
Sale of saplings	**–**	(57)
Staff costs	**12,400**	11,687
Contributions to defined contribution plans included in staff costs	**2,032**	3,577

NOTES TO THE FINANCIAL STATEMENTS

18 Earnings per share

The calculation of basic and diluted earnings per share as at 31 December 2011 was based on the loss attributable to ordinary shareholders of RMB4,333,000 (2010: RMB10,484,000), and a weighted average number of ordinary shares outstanding of 208,564,203 (2010: 139,871,821), calculated as follows:

Loss attributable to ordinary shareholders

	Group RMB'000
2011	
Continuing operations	**(3,586)**
Discontinued operations	**(747)**
	(4,333)
2010	
Continuing operations	(4,196)
Discontinued operations	(6,288)
	(10,484)

	2011 No. of shares	2010 No. of shares
Issued ordinary shares at 1 January	**208,564,203**	114,561,683
Effect of shares issued during the year	–	25,310,138
Weighted average number of shares at 31 December	**208,564,203**	139,871,821

NOTES TO THE FINANCIAL STATEMENTS

19 Discontinued operations

On 22 December 2011, the Company executed a conditional Share Sale Agreement for the sale of its entire equity interest in its wholly-owned subsidiaries, Hualong and Longxiang, (the Sale Group Companies), to Sinolion Management Limited (the Purchaser) for an aggregate cash consideration of RMB36,000,000. The Company entered into a Supplemental Agreement on 28 February 2012 with the Purchaser, where upon completion of the sale, all benefits, risks, rights and obligations attached to and associated with the equity in the Sale Group Companies will be transferred to and assumed by the Purchaser from 1 January 2012.

Accordingly, the peanut segment has been classified as discontinued operations in the consolidated statement of comprehensive income for the year ended 31 December 2011 and the comparative statement of comprehensive income has been re-presented to show the discontinued operations separately from continuing operations.

		Group	
		2011	**2010**
	Note	**RMB'000**	**RMB'000**
Results of discontinued operation			
Revenue		**100,050**	82,719
Expenses		**(102,699)**	(89,007)
Results from operating activities		**(2,649)**	(6,288)
Income tax expense	16	**(236)**	–
Results from operating activities, net of tax		**(2,885)**	(6,288)
Gain on sale of discontinued operations		**2,463**	–
Tax on sale of discontinued operation	16	**(325)**	–
Loss for the year		**(747)**	(6,288)
Basic and diluted loss per share (RMB cents)		**(0.4)**	(4.5)

	Group	
	2011	**2010**
	RMB'000	**RMB'000**
Cash flows from discontinued operation		
Net cash from operating activities	**10,063**	9,306
Net cash used in investing activities	**(2,009)**	(1,238)
Net cash used in financing activities	**(3,023)**	(14,648)
Net cash flows for the year	**5,031**	(6,580)

NOTES TO THE FINANCIAL STATEMENTS

19 Discontinued operations (Continued)

Effect of disposal on financial position of the Group

	Group 2011 RMB'000
Property, plant and equipment	27,427
Intangible assets	177
Lease prepayment	10,737
Inventories	39,586
Trade and other receivables	15,584
Cash and cash equivalents	12,442
Trade and other payables	(14,636)
Deferred income	(35)
Current tax payables	(168)
Bank loans	(58,640)
Net assets disposed	32,474
Consideration received, satisfied in cash	4,902
Expenses paid	(814)
Cash and cash equivalents disposed of	(12,442)
Net cash outflow	(8,354)

20 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.

NOTES TO THE FINANCIAL STATEMENTS

21 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.

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.

As at 31 December 2011, the Group has unutilised credit facilities of RMB nil (2010: RMB7,000,000) available from the Hua Xia Bank.

Foreign currency risk

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 currencies giving rise to this risk are primarily the Singapore dollar and the US dollar.

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.

NOTES TO THE FINANCIAL STATEMENTS

21 **Financial risk management** (Continued)

	Singapore dollar RMB'000	US dollar RMB'000
Group		
2011		
Trade receivables	**196**	**–**
Cash and cash equivalents	**5,597**	**17**
Trade payables and accruals	**(2,817)**	**–**
	2,976	**17**
2010		
Trade receivables	–	1,486
Cash and cash equivalents	22,120	18
Trade payables and accruals	(1,934)	–
	20,186	1,504
Company		
2011		
Other receivables	**25,100**	**–**
Cash and cash equivalents	**203**	**7**
Trade payables and accruals	**(3,160)**	**–**
	22,143	**7**
2010		
Cash and cash equivalents	22,120	8
Trade payables and accruals	(1,934)	–
	20,186	8

Sensitivity analysis

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

NOTES TO THE FINANCIAL STATEMENTS

21 **Financial risk management** (Continued)

	Group Loss for the year RMB'000	Company Loss for the year RMB'000
2011		
Singapore dollar	**(297)**	**(2,214)**
US dollar	**(2)**	**(1)**
	(299)	**(2,215)**
2010		
Singapore dollar	(2,019)	(2,019)
US dollar	(150)	(1)
	(2,169)	(2,020)

A 10% weakening of RMB against the above currencies would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

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. The Group does not use derivative financial instruments to hedge its debt obligations and does not have any interest-bearing financial liabilities as at 31 December 2011.

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.

Intra-group financial guarantees

The value of financial guarantees provided by the Company to its subsidiaries is determined by reference to the difference in the interest rates, by comparing the actual rates charged by the bank with these guarantees made available, with the estimated rates that the banks would have charged had these guarantees not been available.

NOTES TO THE FINANCIAL STATEMENTS

21 Financial risk management (Continued)

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 at bank and in hand, and trade and other payables) and bank loans with floating interest rates 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.

22 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 Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

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.

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.

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. Should the Group not be able to achieve forecasted results, the Group would be required to record further impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

23 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2011	**2010**
	RMB'000	**RMB'000**
Within one year	**2,310**	–
Between one and five years	**2,577**	–
More than five years	**2,362**	–
	7,249	–

During the current period, the Group entered into several lease contracts with third party lessors for machineries, land use right and buildings. The leases typically run for a period of 8 to 9 years. Except land use right lease, there are early termination clauses for leased machineries and buildings. The Group determined these leases are operating leases as substantially all the risks and rewards of these leased assets are not transferred.

24 Related parties

Key management personnel compensation

Compensation payable to key management personnel comprise:

	Group	
	2011	**2010**
	RMB'000	**RMB'000**
Short-term employee benefits	**1,570**	1,524

NOTES TO THE FINANCIAL STATEMENTS

24 Related parties (Continued)

Other related party transactions

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

	Group	
	2011	**2010**
	RMB'000	**RMB'000**
Related corporations		
– Sale of raw peanuts	**32**	44
– Sale of food processing machinery and equipment	**–**	271
– Purchase of seafood	**–**	79
– Purchase of machinery	**2,109**	–
– Purchase of raw material	**384**	–
– Rental of office	**24**	–
– Sales of flat bar	**36,348**	–
– Sales of subsidiaries (note 19)	**36,000**	–

25 Subsequent events

The Group has increased its investment in its wholly-owned subsidiary in the PRC, Jiangyin Chengsheng by way of a cash injection of S$3,500,000 (approximately RMB17,700,000) and S$1,300,000 (approximately RMB6,300,000) for working capital purpose on 29 February 2012 and 9 March 2012 respectively. With this increase, the total amount of RMB50,000,000 registered share capital of Jiangyin Chengsheng has been fully paid up.

26 New accounting standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, 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.

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	
	2011	**2010**
Remuneration of:		
S$500,000 and above	**–**	–
S$250,000 – S$499,999	**–**	–
Below S$250,000	**8**	6
	8	6

STATISTICS OF SHAREHOLDINGS

AS AT 13 MARCH 2012

SHAREHOLDERS' INFORMATION

Class of Equity Securities	Number of Equity Securities	Voting Rights
Ordinary Shares	208,564,203	One vote per share (excluding treasury shares)
Treasury Shares	Nil	Nil

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 999	5	1.32	2,090	0.00
1,000 – 10,000	203	53.70	629,095	0.30
10,001 – 1,000,000	151	39.95	25,348,664	12.16
1,000,001 and above	19	5.03	182,584,354	87.54
TOTAL	**378**	**100.00**	**208,564,203**	**100.00**

TWENTY FOUR LARGEST SHAREHOLDERS

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHARES
1	GIANT SUCCESS INVESTMENTS LIMITED	49,181,700	23.58
2	FRANKLAND INVESTMENTS LTD	35,000,000	16.78
3	MAYBAN NOMINEES (SINGAPORE) PTE LTD	18,002,520	8.63
4	LIOU FANG YOU	13,838,001	6.63
5	ONG WEE CHUAN	12,000,000	5.75
6	SINOLION MANAGEMENT LIMITED	11,346,133	5.44
7	CHEN CHOON KHEE	10,000,000	4.79
8	3R WEALTH CAPITAL LTD	8,000,000	3.84
9	KIYU CHEE WEI	4,152,000	1.99
10	PHILLIP SECURITIES PTE LTD	3,123,000	1.50
11	LIM BONG GUAN	3,000,000	1.44
12	NG LENG HUAT	2,707,000	1.30
13	HSBC (SINGAPORE) NOMINEES PTE LTD	2,642,000	1.27
14	MAYBANK KIM ENG SECURITIES PTE LTD	2,190,000	1.05
15	KOH YEOW KOON	1,815,000	0.87
16	HENG SWEE YONG	1,500,000	0.72
17	KOH LI CHING	1,475,000	0.71
18	LEE HENG PENG	1,362,000	0.65
19	OH BOON LEONG	1,250,000	0.60
20	CHUA SWEE NGOH	1,000,000	0.48
21	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,000,000	0.48
22	KUAN CHENG TUCK	1,000,000	0.48
23	ONG YICK YIH	1,000,000	0.48
24	SOO CHEI WAI	1,000,000	0.48
	Total:	**187,584,354**	**89.94**

STATISTICS OF SHAREHOLDINGS

AS AT 13 MARCH 2012

SUBSTANTIAL SHAREHOLDERS

(As recorded in Register of Substantial Shareholders)

	Direct Interest		Deemed Interest		Aggregate Interest	
	No. of Shares	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Giant Success Investments Limited(1)	49,181,700	23.58	–	–	49,181,700	23.58
Sinolion Management Limited(2)	11,346,133	5.44	–	–	11,346,133	5.44
Liou Fangyou(3)	13,838,001	6.63	60,527,833	29.02	74,365,834	35.65
Frankland Investments Ltd(4)	35,000,000	16.78	–	–	35,000,000	16.78
Ong Yik Yih(5)	1,000,000	0.48	39,000,000	18.70	40,000,000	19.18
3R Wealth Capital Ltd(6)	8,000,000	3.84	–	–	8,000,000	3.84
Ong Wee Chuan(7)	12,000,000	5.75	8,000,000	3.84	20,000,000	9.59
Luo Zhimin(8)	–	–	8,000,000	3.84	20,000,000	3.84
Chen Choon Khee(9)	10,000,000	4.79	10,000,000	4.79	20,000,000	9.58

(1) Giant Success Investments Limited is a company established in the British Virgin Islands ("BVI") and is entirely beneficially owned by Mr Liou Fangyou.

(2) Sinolion Management Limited is a company established in the BVI and is entirely beneficially owned by Mr Liou Fangyou.

(3) Mr Liou Fangyou beneficially owns the entire equity interest of each of Giant Success Investments Limited and Sinolion Management Limited, in accordance with Section 7 of the Companies Act, he is deemed to be interested in all the Shares held by Giant Success Investments Limited and Sinolion Management Limited in the Company.

(4) Frankland Investments Ltd is a company established in BVI and is entirely beneficially owned by Mr Ong Yick Yih.

(5) Mr Ong Yick Yih is the beneficial owner of and deemed interested in the 4,000,000 Shares held under Mayban Nominees (Singapore) Private Limited. As Mr Ong Yick Yih holds more than 20% of the issued and paid up shares in the share capital of Frankland Investments Ltd, in accordance with Section 7 of the Companies Act, he is deemed to be interested in all the 35,000,000 Shares of the Company owned by Frankland Investments Ltd.

(6) 3R Wealth Capital Ltd is a company established in BVI and is beneficially owned by Mr Ong Wee Chuan and Mr Luo Zhimin in the proportion of 80% and 20% respectively. Mr Ong Wee Chuan and Mr Luo Zhimin are deemed to be interested in the Shares held by 3R Wealth Capital Ltd in the Company.

(7) As Mr Ong Wee Chuan holds more than 20% of the issued and paid up shares in the share capital of 3R Wealth Capital Ltd, in accordance with Section 7 of the Companies Act, he is deemed to be interested in all the Shares of the Company owned by 3R Wealth Capital Ltd.

(8) As Mr Luo Zhimin holds 20% of the issued and paid up shares in the share capital of 3R Wealth Capital Ltd, in accordance with Section 7 of the Companies Act, he is deemed to be interested in all the Shares of the Company owned by 3R Wealth Capital Ltd.

(9) Mr Chen Choon Khee is the beneficial owner of and deemed to be interested in the 10,000,000 Shares held under Mayban Nominees (Singapore) Private Limited.

The percentage of shareholding above is computed based on the total issued shares of 208,564,203.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on information available to the Company as at 13 March 2012, approximately 24.08% 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 The Fullerton Hotel Singapore Ballroom 1, Lower Lobby 1 Fullerton Square Singapore 049178 on Friday, 27th day of April 2012 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 2011 together with the Directors' Report and Independent Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors pursuant to Articles 91 and 97 of the Company's Articles of Association:

   Mr Chua Hung Meng (Retiring under Article 91) **(Resolution 2)**
   Mr Koh Choon Kong (Retiring under Article 97) **(Resolution 3)**

   Mr Chua Hung Meng, will upon re-election as a Director of the Company, remain as Chairman of the Audit Committee, 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 Koh Choon Kong, will upon re-election as a Director of the Company, remain as a member of each of the Audit Committee, 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.

3. To note that Mr Liou Fangyou and Mr Ou Zhiguo who are retiring under Article 91 of the Company's Articles of Association, have informed the Board that they do not wish to seek re-election and will cease to be Directors of the Company at the conclusion of this Annual General Meeting.

4. To approve the payment of Directors' fees of S$72,500 for the financial year ended 31 December 2011 (2010: S$70,000). **(Resolution 4)**

5. To approve the payment of Directors' fees of S$115,000 for the financial year ending 31 December 2012. **(Resolution 5)**

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

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;

NOTICE OF ANNUAL GENERAL MEETING

(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 (i)] **(Resolution 7)**

BY ORDER OF THE BOARD

ONG WEI JIN
COMPANY SECRETARY
11 April 2012
SINGAPORE

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) The Resolution 7 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.

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

PROXY FORM

(Please see notes overleaf before completing this Form)

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 CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

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 The Fullerton Hotel Singapore Ballroom 1, Lower Lobby 1 Fullerton Square Singapore 049178 on Friday, 27th day of April 2012 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 2011		
2.	Re-election of Mr Chua Hung Meng as a Director under Article 91		
3.	Re-election of Mr Koh Choon Kong as a Director under Article 97		
4.	Approval of Directors' Fees amounting to S$72,500 for the financial year ended 31 December 2011		
5.	Approval of Directors' Fees amounting to S$115,000 for the financial year ending 31 December 2012		
6.	Re-appointment of Messrs KPMG LLP as Independent Auditors		
	Special Business		
7.	General authority to allot and issue new shares pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore		

Dated this __________ day of __________ 2012

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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Affix
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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Designed and produced by
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东方集团
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