

OEL (HOLDINGS) LIMITED
(Company Registration No. 198403368H)
(Incorporated in the Republic of Singapore)

RESPONSE TO SGX-ST QUERIES

The Board of Directors (the “**Board**”) of OEL (**Holdings**) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) refers to the queries received from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 16 May 2023 in relation to the Company’s announcement dated 12 May 2023 (“**Announcements**”) regarding the proposed disposal (the “**Proposed Disposal**”) of Discovery Kidz Preschool Pte. Ltd. (“**DKP**”) by its wholly-owned subsidiary, ESO Health Child Care Pte. Ltd. (“**ESO**”) and sets out its response to the queries as follows.

SGX-ST’s Query 1:

There is no third party valuation that was carried out for this disposal. The sale price of S\$260K was arrived at after arm’s length negotiations between the Buyer and the Seller on a willing buyer and willing seller basis.

Please provide more information on how the disposal consideration of S\$260K is derived.

Company’s Response:

The disposal consideration of S\$260,000 for DKP was derived from arm's length negotiations between the Buyer and the Seller. Both parties, being independent entities, negotiated and made a fair and unbiased price determination based on their respective assessments and commercial considerations.

This consideration was influenced by an array of factors, prominently DKP's past and present financial status, its potential for future growth, and prevailing market conditions. DKP has been loss-making since its acquisition by ESO in FY2020. Based on the unaudited management accounts of DKP for FY2022, there was a net loss of S\$255,802 and a Net Asset Value of S\$133,738 post intragroup balances elimination. These key financial indicators were taken into account by the parties during the negotiations leading to the agreed disposal price.

Moreover, management also considered the childcare market conditions in Singapore, including the demand, supply, and competition among childcare service providers, in determining the disposal consideration.

SGX-ST’s Query 2:

The Group acquired DKP in March 2020 for S\$416K and the consideration for the Proposed Disposal is S\$260K. Based on the unaudited management accounts of DKP for FY2022, the gain on disposal is approximately S\$98,762.

Please explain how the gain on disposal is computed considering that the disposal consideration is way below the acquired amount.

Company’s Response:

The computation of the disposal gain of S\$98,762 is based on the net proceeds from the Proposed Disposal and the adjusted Net Asset Value of DKP as of FY2022. The fair value or gross of the sale’s consideration amounts to S\$260,000, from which we subtracted the expenses incurred for the Proposed Disposal, S\$27,500. This results in net proceeds from the proposed disposal of S\$232,500. On the other hand, DKP's adjusted Net Asset Value as of FY2022, after considering intragroup balances, stands at S\$133,738. The expected gain from the disposal at the OEL group level is hence calculated

as the difference between the net proceeds from the Proposed Disposal (being S\$232,500) and the adjusted Net Asset Value as of FY2022 (being S\$133,738), which gives us the figure of S\$98,762.

The following tables reflect details of the calculations:

<u>Estimated Net Proceeds</u>	2022
	S\$
Fair value of consideration of the sales	260,000
<u>Less: Expenses incurred for the proposed disposal</u>	
- Introducer fee (5% of the consideration)	(13,000)
- Sponsor fee estimate	(2,000)
- Corporate secretary fee estimate	(12,500)
Total expenses	<u>(27,500)</u>
Net proceeds from proposed disposal	<u>232,500</u>
<u>Expected gain/(loss) on disposal at OEL group level</u>	2022
	S\$
Net proceeds from Proposed Disposal	232,500
DKP's Net Asset Value	(216,771)
<u>Less: Intragroup balances to be written-Off at DKP</u>	
<u>Amount due from DKP to OEL</u>	<u>350,509</u>
DKP's Net Asset Value (Adjusted for intragroup balances)	<u>133,738</u>
Expected gain/(loss) on disposal at OEL Group Level	<u>98,762</u>

SGX-ST's Query 3:

The Company obtained shareholders' approval at an EGM in April 2020 to diversify into the childcare and health education business ("Health Education Business") before acquiring DKP.

- i) **With the Proposed Disposal, will the Company continue to diversify into the Health Education Business?**
- ii) **What is the Company's focus for its business segments going forward?**

Company's Response:

- i) The Company remains committed to its diversification strategy into the Health Education Business. We recognise the societal importance of this sector, particularly our work through ESO in developing social-emotional textbooks.
- ii) Given resource constraints, we have made a strategic decision to allocate approximately 90% of our resources to the Healthcare sector and 10% to the Health Education Business sector. Despite these percentages, the Company remains open to potential opportunities, such as acquiring valuable companies if appealing prospects present themselves. We believe in the strength of a diverse portfolio and will continue to seek strategic opportunities that align with our business objectives.

SGX-ST's Query 4:

The Seller and the Company have disbursed loans in the sum of S\$417,509.03 to DKP to facilitate continuity in DKP's business operations for the period from 26 August 2021 to 12 May 2023. It was agreed that, subject to completion of the Proposed Disposal, the loan amount of S\$417,509.03 to DKP shall be written off (the "**Write-Off Amount**"), without any liability accrued to DKP or the Buyer on the Completion Date. As at 31 December 2022, the Write-Off Amount is S\$350,509.

Does that mean that the Company will continue to write off the remaining S\$67K in FY2023?

Company's Response:

As of 31st December 2022, the loan extended by the Company to DKP amounted to S\$350,509, and it was fully impaired at the Group level. As of 12th May 2023, this loan amount increased by S\$67,000 to S\$417,509.03. The Company will continue to write off the balance of S\$67,000 in FY2023 upon completion of the Proposed Disposal, meaning that DKP or the Buyer would assume no liability on the Completion Date.

BY ORDER OF THE BOARD

Zhao Xin
Chief Executive Officer and Executive Director

17 May 2023

*This announcement has been reviewed by the Company's sponsor, Evolve Capital Advisory Private Limited ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").*

This announcement has not been examined by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The details of the contact person for the Sponsor are:-

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