

**RESPONSE TO QUERIES FROM SHAREHOLDERS**  
**ON THE ANNUAL REPORT**

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The Board of Directors (the “**Board**” or “**Directors**”) of OEL (Holdings) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) refers to the queries raised by shareholders of the Company (the “**Shareholders**”) in relation to the Group’s Annual Report for the financial year ended 31 December 2021 (“**FY2021**”). The Company’s responses to the questions from Shareholders are as follows:

**Question 1**

i) Regarding the Singapore manufacturing plant, has construction started? ii) When is it expected to be completed? iii) Is it solely for HIFU machines, or would it be producing other medical equipment, either proprietary or for other companies? iv) Are there already any pre-orders for the HIFU machines?

**Company’s response**

i) AJJ Healthcare Management Pte. Ltd. (“**AJJ**”) already has a manufacturing plant in Singapore, and we have successfully obtained ISO 13485:2016 & EN ISO 13485:2016 (“ISO 13485:2016”) on 2 August 2021 and Health Science Authority (“**HSA**”) manufacture license obtained on 18 March 2022. The first AJJ Brand High-Intensity Focused Ultrasound (“**HIFU**”) machine was assembled in Singapore successfully. However, we are currently primarily using Original Equipment Manufacturer (“**OEM**”) and/or Original Design Manufacturing ODM (“**ODM**”) to manufacture products in the initial stage. Due to costs control, normal components for HIFU assembly will be purchased from the joint venture partner. Singapore manufacturing plant will currently be utilised to manufacture high-tech spare parts and assembly of the machine.

ii) Construction has been completed.

iii) The manufacturing plant will not be solely for manufacturing HIFU machines. ISO 13485:2016 which the AJJ obtained is a set of international standards which ensures that all medical devices manufactured and distributed by certificate holders are of internationally recognised standards in terms of safety and quality.

The Group has already expanded the scope of its ISO 13485:2016 certification for the design, development, manufacture, distribution, installation and servicing of HIFU tumour therapeutic systems; the import, manufacture, storage, distribution of x-ray machine, electrocardiograph, portable isolation chambers, ventilators, disposable anaesthesia breathing system and accessories, continuous positive airway pressure masks; the servicing of x-ray machine, electrocardiograph, portable Isolation chambers and ventilator; the installation of x-ray machine.

AJJ is also planning to procure for its growing range of sterile products to be certified in the near future.

There are currently no plans to produce medical products for other companies.

We will currently produce high tech equipment in Singapore manufacturing plant. The rest of the products will be manufactured by OEM.

iv) Currently, we have received overseas inquiries. We are in active discussions with various potential customers. The Company will make an announcement if there is any key update in this regard.

## **Question 2**

Not much was said about the Animal Health Products segment. Could we have an update on its status, and perhaps what the company sees as the addressable market size. Would the market be relatively smaller in the neighbouring countries despite their much bigger populations compared to Singapore as their per capita incomes are lower?

### **Company's response**

In respect of the animal health products segment, the Company is currently focusing on selling ultrasound equipment for animals only. At the moment, the Company is putting more focus on the medical, laboratory and dental segments. For the animal health products segment, the Company will consider veterinary HIFU and other series of animal products but will proceed after having made more progress in the other segments.

The Company make an announcement if there is any key update in this regard.

## **Question 3**

i) With such a broad range of healthcare product offerings targeting different customer sets like hospitals, medical labs, vets, and a quite different business segment of childcare wellness, and doing manufacturing as well, does the company have sufficient resources and manpower to develop these business lines to their full potential? Would outsourcing the manufacturing make sense? ii) Would selling and distribution expenses have to grow much more in the current year, especially if the company were to expand from the current 1 preschool?

### **Company's response**

i) Yes, the Company has evaluated different options and the outsourcing of manufacturing to OEM is in the best interests of the Company. The first main advantage of OEM is that we generally receive cost-effective products which are ready to be sold. We benefit from the economies of scale as the supplier will be creating bulk amounts of goods to sell. Furthermore, in OEM manufacturing, we receive high-quality goods, as they are focused on products they are good at and tested in accordance with the strict specialised manufacturer's testing standards. At the same time, our company provides in-house quality checks on products by certified and experienced personnel upon receipt of goods and prior to the delivery of the products to all clients.

We also get to benefit from the specialised technology that OEMs provide. Also, we are able to keep all trademarks and intellectual property rights associated with our design and products.

With the process of mostly outsourcing being more efficient than manufacturing the products in-house, we ultimately benefit from competitive prices, higher quality and various specialised goods, as well as more time to focus on the core operations of the Group.

ii) Yes, expenses are expected to grow with a growing business, in particular, if there is an expansion to the current preschool, there will be an increase in manpower, costs of services rendered, and operational expenses. However, with an expansion of the preschool business, more revenue will be generated, and the Company will control the business and operational costs so as to maximise profit margin.

#### **Question 4**

Could you provide some forward guidance for FY2022 like what other SGX-listed companies like AEM does? Some range of expectations/plans in relation to sales, target mix of sales between the Healthcare equipment, Childcare segments in the next few years, etc.

#### **Company's response**

In FY2021, the Company laid the foundation for its entry into the healthcare business including applying for and successfully obtaining the requisite medical certificates.

The Company intends to expand the business to generate more revenue in year 2022.

AJJ will continue to be working towards meeting the regulations set by the government authorities and is in the process of extending its ISO13458:2016 scope for its Singapore manufacturing plant.

The Group will continue on a roadmap to promote and strengthen its core competencies, such as HIFU technology and medical solutions, 3D Printer and Dental end-to-end solutions and its one-of-a-kind social-emotional development textbook. The Group will also aim to expand its presence to more organisations in Singapore, Southeast Asia, the Middle East and other countries.

The Group will also continue to fulfil its corporate social responsibility by publishing levels 2, 3 and 4 of the Social-Emotional Development Textbook series. Meanwhile, AJJ will also extend to a new product segment this year, actively looking for and introducing new high-tech, eco-friendly and sustainable medical products to market and sell.

#### **Question 5**

i) When does the company aim to turn positive on operating cashflow? ii) Does the company foresee a need to raise additional capital in view of its business plans?

#### **Company's response**

i) The Company diversified into the healthcare business in FY2020 and has expanded its healthcare business into medical products, laboratory products, dental products and animal health products in year 2021 and aims to generate more revenue in year 2022 so as to turn positive on operating cash flow as soon as possible.

ii) In FY2022, the Company targets to focus on sales generation on local retail sales, local governmental tenders and regional sales. Meanwhile, the Company will continue to work on achieving our goal of building a Pan-Asian High Tech Healthcare Company and expand its portfolio to include more high-tech equipment and sustainable products. We are looking for support from fund companies, high net worth investors, shareholders, government grants and/or bank loans to expand and increase the pool of available working capital.

The Company will make an announcement if there is any key update in this regard.

**BY ORDER OF THE BOARD**

Zhao Xin  
Chief Executive Officer and Executive Director

26 April 2022

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*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**"). The Sponsor has not independently verified the contents of this announcement.*

*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.*

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