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

EMPHASIS OF MATTER BY THE INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2014

Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited, the Board of Directors of OEL (Holdings) Limited (the "**Company**") wishes to announce that the Company's Independent Auditors, Messrs Deloitte & Touche LLP, have included an "emphasis of matter" in their Independent Auditors' Report in respect of the Company's financial statements for the year ended 31 December 2014 (the "**Financial Statements**").

The emphasis of matter included by Deloitte & Touche LLP does not constitute a modified opinion to the Financial Statements.

A copy of the Independent Auditors' Report together with the extract of the relevant notes to the Financial Statements is attached hereto for information.

By Order of the Board
Yeo Poh Noi Caroline
Company Secretary
1 April 2015

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF OEL (HOLDINGS) LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of OEL (Holdings) Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at December 31, 2014, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 16 to 75.

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 (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2014 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF OEL (HOLDINGS) LIMITED

Emphasis of Matter

We draw attention to Notes 1 and 3 to the financial statements which indicate that the Group incurred net losses from its continuing operations of $20.5 million and $22.8 million for the years ended December 31, 2014 and December 31, 2013, respectively, and the Company incurred net loss of $32.4 million for the year ended December 31, 2014. As of December 31, 2014, the Group has net current assets of $4.8 million, comprising total current assets of $24.9 million, of which $12.2 million relates to on-going arbitrations, and total current liabilities of $20.1 million. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

Public Accountants and
Chartered Accountants
Singapore

April 1, 2015

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

1 GENERAL

The Company (Registration No. 198403368H) is incorporated in Singapore with its principal place of business and registered office at No. 8, Aljunied Avenue 3, Singapore 389933. The Company is listed on Catalist, the sponsor-supervised board of the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activities of the Company are that of investment holding, engineering, trading and contracting services.

The principal activities of the subsidiaries and associates are disclosed in Notes 12 and 13 to the financial statements respectively.

Going Concern Assumption

The Group incurred net losses from its continuing operations of $20.5 million and $22.8 million for the years ended December 31, 2014 and December 31, 2013, respectively, and the Company incurred net loss of $32.4 million for the year ended December 31, 2014. As of December 31, 2014, the Group has net current assets of $4.8 million, comprising total current assets of $24.9 million, of which $12.2 million relates to on-going arbitrations (Note 39), and total current liabilities of $20.1 million.

The matters set out in the paragraph above indicate the existence of material uncertainties that may cast significant doubt on the Company's and the Group's ability to continue as a going concern, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors of the Company are of the view that it is appropriate for the financial statements of the Company and the Group to be prepared on a going concern basis. After reviewing the business plans and cash flow forecasts of the Company and the Group for the financial year ending December 31, 2015, the directors believe that the Company and the Group are able to continue as a going concern in the foreseeable future and will be able to realise their assets and discharge their liabilities in the normal course of business as:

- Management is evaluating various strategies to improve the operating and financial position of the Company and the Group. One of the strategies is to continuously streamline its Shipyard operations by focusing on ship repairs and increasing trading activities.

- Banking facilities have been negotiated and concluded to provide funding for the operations of the Company and the Group subsequent to the end of reporting period.

- Additional cash flow is expected to be generated from the disposal of the inventories (Notes 3II (b) and 11) and material and equipment purchased for its construction contracts (Notes 3II (a) and 10).

- Management is exploring new business ventures or opportunities such as the proposed acquisition of the oil and gas business venture in China in order to expand the Group's business activities. On September 23, 2014, the Company has entered into a non-binding memorandum of understanding (the "MOU") with a third party to acquire certain issued share capital of Allied Resources Limited, together with Jilin Hengli Industries Liability Co., Ltd and Qian An Oilfield Development Co., Ltd. Subsequent to the end of reporting period, the validity of the MOU has been extended for five months from January 23, 2015.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2014 were authorised for issue by the Board of Directors on April 1, 2015.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(I) *Critical judgements in applying the entity's accounting policies*

There are no critical judgements, apart from those involving going concern (see Note 1) and estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(II) *Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) <u>Recoverability of contract costs</u>

Management assesses the recoverability of contract costs at end of the reporting period. In making this assessment, management estimates the recoverable amount of the costs, taken into consideration the on-going arbitration proceedings (Note 39). In this regard, management is satisfied that the contract costs are recoverable. The carrying amount of contract costs is disclosed in Note 10.

(b) <u>Allowances for inventories</u>

At the end of the reporting period, the Group and the Company reviewed the carrying value of their inventories to ensure that they are stated at the lower of cost and net realisable value. In assessing net realisable value and making appropriate allowances, the management identified inventories that are slow moving, considered their physical conditions, market conditions and market price for similar inventories, taken into consideration on-going arbitration proceedings as disclosed in Note 39. Management estimated allowance for inventories of $4,000,000 (2013: $276,000) as at December 31, 2014 as disclosed in Note 11.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(II) Key sources of estimation uncertainty (cont'd)

(c) Shipyard operations

In 2014, the Group incurred a loss of $21.1 million (2013 : $22.5 million) and has total assets of $25.0 million (2013 : $49.0 million) after project costs written-off and allowance for inventories of $12.9 million (2013 : $Nil) and $4.0 million (2013 : $Nil), respectively (Notes 10 and 11) as at December 31, 2014.

In complying with FRS 36, management has reviewed the carrying amount of its shipyard assets to determine whether those assets have suffered an impairment loss taking into account the recoverable amount of the Shipyard operations assets based on fair value less costs of disposal with the assistance of an independent valuer. In this regard, the management is satisfied that no additional impairment is required. The carrying amount of shipyard assets at the end of the reporting period is disclosed in Note 41.

(d) Allowances for bad and doubtful debts

The policy for allowances for bad and doubtful debts of the Group and the Company is based on the evaluation of collectibility and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the past collection history of each customer and on-going dealings with these parties. If the financial conditions of the counterparties were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of trade and other receivables at the end of the reporting period are disclosed in Notes 8 and 9 respectively.

(e) Impairment of investments in subsidiaries

Determining whether investments in subsidiaries are impaired requires an estimation of the recoverable amounts of the investments. The recoverable amounts are determined based on net asset value of respective investment, which approximate the fair value less costs of disposal. The carrying amounts of investments in subsidiaries in the Company's financial statements at the end of the reporting period are disclosed in Note 12.

(f) Fair value of leasehold building and investment property

The preparation of financial statements in accordance with FRS requires the Company's management to make estimates affecting the reported amounts of assets and liabilities, of revenue and expenses, and of gains and losses. As described in Note 2, the Company's leasehold building and investment property are stated at fair value, as determined by independent valuers. These estimated market values may differ from the prices at which the Company's asset could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. Also, certain estimates require an assessment of factors not within management's control, such as overall market conditions. As a result, actual results of operations and realisation of net assets in the future could differ from the estimates set forth in these financial statements. The carrying values of leasehold building and investment property are disclosed in Notes 15 and 16 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

35 RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plans

The employees of OEL (Holdings) Limited and its subsidiaries that are located in Singapore are members of a state-managed retirement benefit plan, the Central Provident Board Fund, operated by the Government of Singapore. The Company and the subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in the profit or loss of $118,000 (2013: $1,672,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at December 31, 2014, contributions of $25,000 (2013: $23,000) due in respect of current financial year had not been paid over to the plans. The amounts were paid over subsequent to the end of the reporting period.

36 DIVIDENDS

On 21 May 2014, a one-tier tax exempt final dividend of 0.5 cents per share (total dividend $3,341,000) was paid to shareholders.

No dividend was proposed for the financial year ended December 31, 2014.

37 NON-CASH TRANSACTION

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $2,131,000 (2013: $3,241,000) of which $Nil (2013: $178,000) were acquired through finance leases. Cash payments of $2,131,000 (2013: $3,063,000) were made to purchase property, plant and equipment.

38 GUARANTEES

At December 31, 2014, the Company has provided corporate guarantees of $1.4 million (2013 : $0.7 million) to a bank in respect of bank facilities utilised by its associate (2013: its subsidiary). The amount represents the maximum amount the Company could be forced to settle under the financial guarantee contract.

39 ARBITRATION

At end of the reporting period, the Group has on-going arbitration proceedings with the following third parties:

a) BW Marine Cyprus Limited (“BW Marine”) has brought an arbitration in relation to a construction contract for two split hopper barges which are included in inventories. The claim is mainly for the refund of amounts paid under the contract which are provided for by the Group, the return of equipment and damages for the Group’s failure to complete the works under the contract. The Group is seeking an order that BW Marine executes a deed of transfer for the transfer of title in the split hopper barges to the Group as well as indemnity.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

39 ARBITRATION (cont'd)

b) Fugro Australis Pty Ltd ("FAPL") in relation to a shipbuilding contract ("SBC") entered into between FAPL and a subsidiary of the Group. The subsidiary had claimed *inter alia*, for (i) a declaration that FAPL's termination of the SBC on 28 August 2013 is wrongful and in breach of the SBC; and (ii) damages as a result of FAPL's breach to be assessed.

The Tribunal has since delivered the final award (save as to costs) subsequent to the end of the reporting period awarding the subsidiary nominal damages for FAPL's wrongful termination of the SBC and dismissing FAPL's counterclaim with costs to be decided at a later stage. In these circumstances the respective parent company guarantees provided by the Company and Fugro NV as security for costs in the sum of $1.4 million (£0.7 million), in respect of the costs of defending each parties' respective claim and counterclaim, are still in force.

c) Fr. Fassmer GmbH & Co. KG ("Fassmer") in relation to a cooperation agreement entered into between a subsidiary of the Group and Fassmer ("Cooperation Agreement"). The subsidiary had claimed *inter alia*, for compensation arising from Fassmer's repeated breaches of the terms of the Cooperation Agreement. The subsidiary and Fassmer have reached a settlement in respect of this matter, and the Tribunal has since also issued its final award on costs payable to the subsidiary. Given this, the arbitration has come to an end. The net recovery from arbitration of $771,000 is included in other operating income for the year ended December 31, 2014 (Note 28).

Management is of the view that there is no significant liability not already provided for at end of the reporting period.

40 OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Minimum lease payments under operating leases recognised as an expense during the year	1,298	3,504	336	527

At the end of the reporting period, the Group and the Company has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Future minimum lease payments payable:				
Within one year	544	1,583	328	647
In the second to fifth year inclusive	1,600	3,493	1,311	1,586
> 5 years	7,757	13,891	7,757	8,000
	9,901	18,967	9,396	10,233

Operating lease payments represent rentals payable by the Group and the Company for its equipment, office land and warehouse property. The lease for its office, which is from the Housing Development Board, is for a 30 years period with an option to renew for another 30 years. The lease payment is subject to escalation adjustments from time to time and the above future lease payment has been computed based on the last escalation adjustment. The remaining leases are negotiated for an average term of 3 to 5 years.