INDEPENDENT AUDITOR'S REPORT

To the members of OEL (Holdings) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of OEL (Holdings) Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the reporting year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 52 to 92.

In our opinion, the accompanying 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 Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 in the financial statements, which indicates that for the financial year ended 31 December 2022, the Group reported a loss after tax of S$4,241,000 (2021: S$1,733,000) and incurred net operating cash outflows of S$3,203,000 (2021: S$5,544,000). In addition, as at 31 December 2022, the Group and the Company have low cash and bank balances of S$170,000 (2021: S$3,667,000) and S$40,000 (2021: S$3,628,000) respectively. As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the ability of the Group and of the Company to continue as going concerns. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that the matters described below to be the key audit matters to be communicated in our report.

Extracted from the Independent Auditor's Report to the Audited Financial Statements of OEL (Holdings) Limited for the financial year ended 31 December 2022

INDEPENDENT AUDITOR'S REPORT

To the members of OEL (Holdings) Limited

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Impairment Assessment of Goodwill
(Refer to Notes 2.4(c), 3.2(i) and 14 to the financial statements)

The Group's goodwill amounted to S$267,000 (2021: S$267,000) which accounted for 8.7% (2021: 3.5%) of the Group's total assets as at 31 December 2022.

The impairment assessment of goodwill is considered a key audit matter as it requires management to exercise significant judgement on the assessment of various key assumptions that are affected by future market and economic conditions. As disclosed in Note 14, the Group's goodwill is allocated to one Cash Generating Unit ("CGU") for impairment assessment. Management has performed an impairment review and has recognised a goodwill impairment loss of S$267,000 (S$Nil).

Management made key assumptions in respect of future market and economic conditions such as revenue growth rates, earnings before interest and tax ("EBIT") margins, discount rates and long-term economic growth rates when performing the assessment.

Our audit procedures included, among others:

- Reviewed the discounted future cash flows used to assess the value in use of the CGU to which the goodwill is allocated for impairment testing, including reperforming the calculations to verify the accuracy.
- Assessed that the discounted future cash flows are based on the budgets approved by the Board of Directors.
- Assessed the appropriateness of the key assumptions used such as revenue growth rates, EBIT margins, discount rates and long-term economic growth rates when performing the assessment together with our internal valuation specialists.
- Assessed and tested the key assumptions which the outcome of the impairment is most sensitive to.
- Assessed the adequacy of disclosures made in the financial statements.

Impairment Assessment of the Company's Investment in Subsidiary
(Refer to Notes 2.14, 3.2(ii) and 12 to the financial statements)

The Company's carrying amount of investment in subsidiaries amounted to S$1,150,000 (2021: S$1,150,000) which accounted for 61.1% (2021: 15.5%) of the Company's total assets as at 31 December 2022.

Where there is an indication of impairment, management is required to assess the recoverable amount of its investment in subsidiaries which is the higher of the fair value less costs of disposal and value in use of the subsidiaries assessed as a CGU.

As disclosed in Note 12 to the financial statements, management has performed an impairment test on an investment in subsidiary with indication of impairment. Management estimated the recoverable amount of the investment in subsidiary by assessing the fair value less costs of disposal. As the fair value less costs of disposal exceed the carrying amount, the investment in subsidiary is assessed to be not impaired and it is not necessary to estimate the value in use.

The impairment assessment of investment in subsidiary is considered a key audit matter as it requires management to exercise judgement on the assessment of various key assumptions to estimate the recoverable amount of the investment in subsidiary that are affected by future market and economic conditions. Management made key assumptions in respect of future market and economic conditions such as the forecasted maintainable revenue and market enterprise value to revenue multiples of publicly traded comparable companies.

Extracted from the Independent Auditor's Report to the Audited Financial Statements of OEL (Holdings) Limited for the financial year ended 31 December 2022

INDEPENDENT AUDITOR'S REPORT

To the members of OEL (Holdings) Limited

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Impairment Assessment of the Company's Investment in Subsidiary (Continued)

Our audit procedures included, among others:

- Performed evaluation of the Company's policies and procedures to identify indicators for potential impairment of the Company's investment in subsidiary.
- Reviewed the impairment model used to assess the fair value less costs of disposal of the CGU, including reperforming the calculations to verify the accuracy.
- Assessed the appropriateness of the key assumptions used such as forecasted maintainable revenue and market enterprise value to revenue multiples of publicly traded comparable companies together with our internal valuation specialists.
- Assessed and tested the key assumptions which the outcome of the impairment is most sensitive to.
- Assessed the adequacy of disclosures made in the financial statements.

Recoverability Assessment of the Company's Amount Due From Subsidiaries
(Refer to Notes 2.17, 3.2(v) and 16 to the financial statements)

The Company's gross amount due from subsidiaries totalled S$2,897,000 (2021: S$1,401,000) which accounted for 154.0% (2021: 18.9%) of the Company's total assets as at 31 December 2022.

Management has performed an impairment review based on the expected credit loss ("ECL") model and based on the review, ECL allowance of S$2,841,000 (2021: S$Nil) was provided for by management.

The estimated credit loss allowance is based on the historical and forward-looking trends of the receivables from the subsidiaries, which includes analysis of the age of these receivables and the financial ability of the subsidiaries to repay the amounts.

We identified this as a key audit matter as the assessment of the determination of ECL requires management to exercise significant judgement and estimation. In determining the credit quality and whether any significant increase in credit risk occurs, requiring both forward-looking and historical information to be considered.

Our audit procedures included, among others:

- Obtained understanding of the Company's processes in assessing ECL for the amount due from subsidiaries.
- Discussed with management on the basis adopted by management in assessing the recoverability of the amount due from subsidiaries.
- Reviewed whether there are subsequent receipts for the settlement of the amount due from subsidiaries after the financial year end.
- Assessed the adequacy of disclosures made in the financial statements.

Extracted from the Independent Auditor's Report to the Audited Financial Statements of OEL (Holdings) Limited for the financial year ended 31 December 2022

INDEPENDENT AUDITOR'S REPORT

To the members of OEL (Holdings) Limited

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Impairment Assessment of Plant and Equipment, Including Right-of-Use Assets
(Refer to Notes 2.15, 3.2(iv), 11 and 20(a) to the financial statements)

The Group's and Company's carrying amount of plant and equipment, including right-of-use assets totalled S$1,558,000 (2021: S$2,235,000) and S$237,000 (2021: S$619,000) respectively which accounted for 51.0% (2021: 29.6%) and 12.6% (2021: 8.4%) of the Group's and Company's total assets respectively as at 31 December 2022.

An impairment review is performed when there are indications of impairment. Management had carried out impairment assessment to determine whether the recoverable amount of the plant and equipment, including right-of-use assets are less than the respective carrying amounts. The fair value less costs of disposal and value in use calculations of the CGU of the plant and equipment, including right-of use assets requires management to estimate the future cash flows that the Group and Company expect to derive from the assets from the disposal of the assets and through continuing use.

We identified this as a key audit matter as the estimation of the recoverable amount involved significant judgement and estimation. In estimating the fair value less costs of disposal, management made key assumptions in respect of future market and economic conditions such as the forecasted maintainable revenue and market enterprise value to revenue multiples of publicly traded comparable companies. In estimating the future cash flows in the value in use calculations, management made key assumptions in respect of future market and economic conditions such as revenue growth rates, earnings before interest and tax ("EBIT") margins, discount rates and long-term economic growth rates when performing the assessment.

Our audit procedures included, among others:

- Performed evaluation of the Group's policies and procedures to identify indicators for potential impairment of the plant and equipment, including right-of-use assets.
- Reviewed the impairment model used to assess the value in use of the CGU to which the plant and equipment, including right-of-use assets is allocated for impairment testing, including reperforming the calculations to verify the accuracy.
- Assessed that the discounted future cash flows are based on the budgets approved by the Board of Directors.
- Assessed the appropriateness of the key assumptions used such as forecasted maintainable revenue, market enterprise value to revenue multiples of publicly traded comparable companies, revenue growth rates, EBIT margins, discount rates and long-term economic growth rates when performing the assessment together with our internal valuation specialists.
- Assessed and tested the key assumptions which the outcome of the impairment is most sensitive to.
- Assessed the adequacy of disclosures made in the financial statements.

Other Information

Management is responsible for other information. The other information comprises the information included in the Annual Report 2022, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

Extracted from the Independent Auditor's Report to the Audited Financial Statements of OEL (Holdings) Limited for the financial year ended 31 December 2022

INDEPENDENT AUDITOR'S REPORT

To the members of OEL (Holdings) Limited

Report on the Audit of the Financial Statements (Continued)

Other Information (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors 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 Act and SFRS(I), 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Extracted from the Independent Auditor's Report to the Audited Financial Statements of OEL (Holdings) Limited for the financial year ended 31 December 2022

INDEPENDENT AUDITOR'S REPORT

To the members of OEL (Holdings) Limited

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Sia Boon Tiong.

PKF-CAP LLP
Public Accountants and
Chartered Accountants

Singapore
12 April 2023

Extracted from the Independent Auditor's Report to the Audited Financial Statements of OEL (Holdings) Limited for the financial year ended 31 December 2022