

## OEL (HOLDINGS) LIMITED

(Company Registration No: 198403368H)  
(Incorporated in the Republic of Singapore)

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### ANNOUNCEMENT PURSUANT TO RULE 704(4) OF THE LISTING MANUAL SECTION B: RULES OF CATALIST OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

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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 (the “**Board**”) of OEL (Holdings) Limited (the “**Company**”) wishes to announce that its Independent Auditor, Deloitte & Touche LLP (the “**Auditor**”), has included a qualified opinion and a material uncertainty related to going concern in their report (the “**Independent Auditor’s Report**”) in relation to the audited financial statements for the financial year ended 31 December 2017 (the “**Audited Financial Statements**”).

The nature and contents of the qualified opinion and material uncertainty related to going concern are contained in the Independent Auditor’s Report. A copy of the Independent Auditor’s Report, together with the extracts of Note 1 and 3 to the Audited Financial Statements, is annexed to the announcement for information.

The Independent Auditor’s Report and the Audited Financial Statements will form part of the Company’s Annual Report for FY2017 (the “**FY2017 Annual Report**”) which will be despatched to the shareholders of the Company (the “**Shareholders**”) in due course.

Shareholders are advised to read the Independent Auditor’s Report and the FY2017 Annual Report in their entirety and to read this announcement in conjunction with the Independent Auditor’s Report and the FY2017 Annual Report.

By Order of the Board

Tan Ching Chek  
Company Secretary  
23 March 2018

*This announcement has been reviewed by the Company’s sponsor, RHT Capital Pte. Ltd. (the “**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.*

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

*Name : Mr Mah How Soon (Registered Professional, RHT Capital Pte. Ltd.)  
Address : 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619  
Tel : (65) 6381 6757*

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

### OEL (HOLDINGS) LIMITED

#### Report on the Audit of the Financial Statements

##### Qualified Opinion

We have audited the accompanying financial statements of OEL (Holdings) Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2017, and the consolidated statement of profit or loss and other 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 year then ended, and the notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 57.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) 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 December 31, 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

##### Basis for Qualified Opinion

###### Potential liability arising from area used by tenant of leasehold building without rent

As disclosed in Note 3 to the financial statements, an area on the second floor of the Group's and the Company's leasehold building which was not leased out under the operating lease was used by the tenant without rent.

We have not been provided with sufficient appropriate audit evidence in respect of management's view that there is no potential liability arising from or in connection with the tenant's use of the area without rent. Accordingly, we are unable to determine if any adjustments were necessary to the financial statements of the Group and the Company for the year ended December 31, 2017.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**

### **OEL (HOLDINGS) LIMITED**

#### **Basis for Qualified Opinion (cont'd)**

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 qualified opinion.

#### **Material Uncertainty Related to Going Concern**

We draw attention to Note 1 to these financial statements. As at December 31, 2017, the Group and the Company have net current liabilities of \$1,285,000 and \$1,283,000 respectively. The Group incurred a loss of \$405,000 during the year. The current liabilities include bank loans of \$1,000,000 which are contractually due within 12 months from the end of the reporting period. The Group also had a net operating cash outflow of \$4,000 for the financial year ended December 31, 2017. The Group and the Company are dependent on the bank's continued support to continue in business. As at December 31, 2017, the Group and the Company had available \$2,000,000 of undrawn committed borrowing facilities in respect of which the condition precedent had been met. The facilities are secured by the Group's and the Company's leasehold building which is carried at its revalued amount of \$8,600,000 as at December 31, 2017. If the Group and the Company are unable to generate sufficient cash flows to service interest payments, the facilities may be cancelled by the bank. Should the Group and the Company be unable to rollover the bank loans or secure alternative re-financing of the loans or raise funds from the sale of its property or other means, the Group and the Company may have insufficient cash to fulfil obligations at the relevant repayment dates. This may impede continuation of the Group's and the Company's rental of property, which is the Group and the Company's only remaining business.

These conditions indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Group and the Company to continue as going concerns. Our opinion is not modified in respect of this matter.

#### **Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the annual report, 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 conclusion thereon.

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.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

### OEL (HOLDINGS) LIMITED

#### Information Other than the Financial Statements and Auditor's Report Thereon (cont'd)

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. As described in the *Basis for Qualified Opinion* section above, we were unable to obtain sufficient appropriate audit evidence about the potential liability arising from area used by the tenant without rent. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to 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 matters described in the *Basis for Qualified Opinion* and *Material Uncertainty Related to Going Concern* sections, we have determined the matters described below to be the key audit matters to be communicated in our report.

##### Valuation of leasehold building

The Group's and Company's leasehold building is stated at its revalued amount based on independent external valuations. This conforms to the Group's accounting policies as detailed in Note 2.

**Key audit matter** The valuation exercise involves judgement in determining appropriate valuation methodology to be used, and estimation in the use of assumptions and unobservable inputs. Details are disclosed in Note 12.

**Our audit performed and responses thereon** We performed the procedures below in relation to the valuation of leasehold building:

- evaluated whether the independent valuer had the necessary competence, capabilities and objectivity for purposes of our audit;
- evaluated the adequacy of the valuer's work for purposes of our audit. This involved assessing the appropriateness of valuation methodologies adopted, the relevance and reasonableness of assumptions and unobservable inputs used, and the integrity of source data used by the valuer;
- checked the restatement made in relation to the classification of the leasehold building (Note 31); and
- evaluated the valuation methodologies used to be consistent with generally accepted market practices, and the key assumptions and unobservable inputs to be within an acceptable range.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

### OEL (HOLDINGS) LIMITED

#### Key Audit Matters (cont'd)

##### Share of results of associate

The Group's investment in OCT Co., Ltd, an associate incorporated in Thailand, is accounted for in the Group's consolidated financial statements using the equity method of accounting in accordance with FRS 28 *Investments in Associates and Joint Ventures*, based on unaudited management accounts (Note 11).

**Key audit matter** The key audit matter relates to impairment of the investment in associate and the potential liabilities in relation to the associate.

Judgement was exercised specifically with regards to:

- (i) determining whether the Group's investment in the associate has been fully impaired; and
- (ii) evaluating if the Group has incurred legal or constructive obligations in respect of the associate's liabilities in excess of the Group's interest in the associate.

Details are disclosed in Notes 3 and 11 to the financial statements.

**Our audit performed and responses thereon** We performed the following procedures:

- considered management's evaluation of the use of and adjustments made to the unaudited management accounts to align the associate's accounting policies to conform to those of the Group;
- assessed management's basis for determining that the associate is fully impaired and that the carrying amount of the associate in the Group's financial statements is appropriate;
- assessed management's evaluation of whether any liability should be recognised in the Group's financial statements in excess of the Group's interest in the associate; and
- considered the appropriateness of the presentation and adequacy of the disclosures in the financial statements in relation to the associate.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**

### **OEL (HOLDINGS) LIMITED**

#### **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 FRSs, 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 consolidated 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.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**

### **OEL (HOLDINGS) LIMITED**

#### **Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)**

- 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 and 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, related safeguards.

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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
OEL (HOLDINGS) LIMITED**

**Report on Other Legal and Regulatory Requirements**

In our opinion, except for the matter described in the *Basis for Qualified Opinion* section of the report, 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 Mr Loi Chee Keong.

A handwritten signature in black ink that reads "Deloitte, Touche Wipac".

Public Accountants and  
Chartered Accountants  
Singapore

March 23, 2018



## **OEL (HOLDINGS) LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

#### **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 and property management.

The principal activities of the subsidiaries and associate are disclosed in Notes 10 and 11 to the financial statements respectively. As disclosed in Note 9, two of the subsidiaries were effectively disposed of during the year.

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, 2017 were authorised for issue by the Board of Directors on March 23, 2018.

#### **Material Uncertainty Related to Going Concern**

As at December 31, 2017, the Group and the Company have net current liabilities of \$1,285,000 and \$1,283,000 respectively. The Group incurred a loss of \$405,000 during the year. The current liabilities include bank loans of \$1,000,000 which are contractually due within 12 months from the end of the reporting period. The Group also had a net operating cash outflow of \$4,000 (2016 : \$1,464,000) for the financial year ended December 31, 2017. The Group and the Company are dependent on the bank's continued support to continue in business. As at December 31, 2017, the Group and the Company had available \$2,000,000 (2016 : \$2,000,000) of undrawn committed borrowing facilities in respect of which the condition precedent had been met. The facilities are secured by the Group's and the Company's leasehold building which is carried at its revalued amount of \$8,600,000 (2016 : \$8,650,000) as at December 31, 2017.

If the Group and the Company are unable to generate sufficient cash flows to service interest payments, the facilities may be cancelled by the bank. Should the Group and the Company be unable to rollover the bank loans or secure alternative re-financing of the loans or raise funds from the sale of its property or other means, the Group and the Company may have insufficient cash to fulfil obligations at the relevant repayment dates. This may impede continuation of the Group's and the Company's rental of property, which is their only remaining business.

Notwithstanding these conditions, the financial statements have been prepared on a going concern basis on the assumption that the bank will be supportive of the Group and the Company continuing in business.

If the going concern assumption is no longer applicable, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. No such adjustments have been made to these financial statements.

## **OEL (HOLDINGS) LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

#### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

**CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS** - Cash and cash equivalents in the statement of cash flows comprise cash on hand, cash at bank and fixed deposits less restricted cash and bank overdrafts and are subject to an insignificant risk of changes in value.

**SEGMENT REPORTING** - An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components.

The Group determines and presents operating segments based on information that is provided internally to the Group's chief operating decision maker, who reviews all operating segments' operating results regularly to make decision about resources to be allocated to the segments and assess its performance, and for which discrete financial information is available.

#### **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.

## OEL (HOLDINGS) LIMITED AND ITS SUBSIDIARIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2017

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

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.

#### ***Critical judgements in applying the entity's accounting policies***

The following are the critical judgements, apart from those involving estimations (see below), that have the most significant effect on the amounts recognised in the financial statements.

#### Use of going concern assumption

The use of going concern assumption in the preparation of the financial statements is discussed in Note 1 to the financial statements.

#### Share of Results of Associate

The Group's investment in OCT Co., Ltd, an associate incorporated in Thailand, is accounted for using the equity method of accounting. As described in Note 11 to the financial statements, the Group has fully impaired its investment in the associate and has not recognised further share of the associate's cumulative losses. The associate's accounts have not been audited since the financial year ended December 31, 2012.

As access to the associate was restrictive during the financial year ended December 31, 2017, management has evaluated the unaudited management accounts of the associate used in the application of the equity method of accounting. Management assessed that the associate was in a net liability position as at December 31, 2017 and was in a loss-making position for the year then ended. Management exercised judgement that the recoverable amounts of the associate's assets, if any, will be used to fulfil the associate's obligations to third party creditors first. Management is satisfied that the carrying amount of the investment in associate as at December 31, 2017 is appropriate.

A legal claim was made against the associate in 2015 and remains ongoing as at December 31, 2017. No guarantees had been issued in respect of the associate and the Group has no other commitments in relation to the associate. After obtaining the advice of the Group's legal counsel, management is of the view that the Group and the Company have no obligations in respect of the outcome of the legal case and no provision is recorded in these financial statements.

## OEL (HOLDINGS) LIMITED AND ITS SUBSIDIARIES

### NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

##### Sublet of leasehold building

The Group and the Company owns a leasehold building in Singapore. Parts of the building were leased out under an operating lease. An area on the second floor which was not leased out under the operating lease was used by the tenant without rent. The sublet of the Group's and the Company's leasehold building is subject to consent by the landlord of the leasehold land on which the property is situated. A sublet consent fee is payable to the landlord based on the area of the sublet space. Management is of the view that the area used by the tenant without rent should not be included in the sublet area submitted to the landlord for their sublet consent.

Due to the gradual downsizing of the Group's and the Company's business, their requirement for space reduced. In light of the weak rental market and out of goodwill, the Group and the Company have allowed the tenant to use the area in the building which is not under the operating lease with the tenant. Should the Group and the Company require more space as their business activities grow, the Group and the Company will take back the use of the area used by tenant without rent.

In view of the above, management is of the view that there is no potential liability arising from or in connection with the tenant's use of the area without rent.

##### ***Key source of estimation uncertainty***

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

##### Valuation of leasehold building

As described in Note 2, the Company's leasehold building is stated at its revalued amount. The valuation exercise involves judgement in determining appropriate valuation methodologies to be used, and is a source of estimation uncertainty due to the use of assumptions and unobservable inputs. Details are disclosed in Note 12 to the financial statements.

The estimated 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, such as overall market conditions, require an assessment of factors not within management's control. 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 value of leasehold building is disclosed in Note 12 to the financial statements.