

OEL (HOLDINGS) LIMITED

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN IN THE INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 the Company's Independent Auditor, Deloitte & Touche LLP (the "**Auditor**"), has included a Material Uncertainty Related to Going Concern section in their report (the "**Independent Auditor's Report**") on the financial statements for the financial year ended 31 December 2016 (the "**Financial Statements**").

The Independent Auditor's Report is not modified in respect of this matter.

A copy of the Independent Auditor's Report together with the extract of the Note 1 to the Financial Statements are annexed to the announcement for information.

The Independent Auditor's Report and the Financial Statements will form part of the Company's Annual Report for FY2016 (the "**FY2016 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 FY2016 Annual Report in their entirety and to read this announcement in conjunction with the Independent Auditor's Report and the FY2016 Annual Report.

Directors' Opinion on Material Uncertainty Related to Going Concern

The Auditor highlighted in their Independent Auditor's Report that the points below indicate the existence of a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as going concerns.

The Directors of the Company are of the view that it is appropriate for the Financial Statements of the Group and the Company to be prepared on a going concern basis. The Company wishes to make the following statement with regard to the Material Uncertainty Related to Going Concern in the Independent Auditor's Report.

As at December 31, 2016, the Group and the Company have net current liabilities of S\$1.6 million. The current liabilities include bank loans of \$1.0 million which are contractually due within 12 months from the end of the reporting period. Should the Group and the Company be unable to rollover the existing loans or alternative re-financing of the loans be unsuccessful, the Group and the Company may have insufficient cash to fulfil obligations at the relevant repayment dates. This may impede continuation of property management operations, which is the Group's only remaining business.

Notwithstanding these conditions, the Financial Statements have been prepared on a going concern basis on the following assumptions:

- The property management business will generate sufficient cash flows to cover operating costs and service interest payments; and

- The lenders will be supportive of the Group continuing in business.

Based on the above, the Board is of the view that the Group and the Company will be able to continue as going concerns, and that the Financial Statements have been prepared on that basis.

Further, the Board is of the opinion that sufficient information has been disclosed for the trading of the Company's securities to continue in an orderly manner. The Board is not aware of any material information that requires disclosure but remains undisclosed as of the date of this announcement.

By Order of the Board

Tan Ching Chek
Company Secretary
31 March 2017

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 : Six Battery Road, #10-01, Singapore 049909
Tel : (65) 6381 6757*

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF OEL (HOLDINGS) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2016, 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 the notes to the financial statements, including a summary of significant accounting policies, as set out on pages 32 to 73.

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, 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, 2016, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and 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 1 to these financial statements. As at December 31, 2016, the Group and the Company have net current liabilities of S\$1.6 million. The current liabilities include bank loans of \$1.0 million which are contractually due within 12 months from the end of the reporting period. Should the Group and the Company be unable to rollover the existing loans or alternative re-financing of the loans be unsuccessful, the Group and the Company may have insufficient cash to fulfil obligations at the relevant repayment dates. This may impede continuation of property management operations, which is the Group'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.

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 the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF OEL (HOLDINGS) LIMITED

Key Audit Matters (Continued)

Shipyard operations

Note 12 describes the events leading to a winding up order being made against OSEC Shipyard Pte. Ltd. (“OSEC”) by the Singapore High Court on January 6, 2017. This caused the Group to lose control and effectively dispose of OSEC and its subsidiary OSC Co., Ltd (“OSC”) subsequent to the year end.

Key audit matter The key audit matter relates to application of FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*, which resulted in assets and liabilities of OSEC and OSC being classified as a disposal group held for sale as at December 31, 2016.

Applying FRS 105 requires judgement, specifically with regards to:

- (i) Identifying assets and liabilities of OSEC and OSC as a disposal group;
- (ii) Classifying the disposal group as held for sale;
- (iii) Estimating the fair value less costs to sell of the disposal group for measurement purposes; and
- (iv) Presenting results of the disposal group as a discontinued operation.

Our audit performed and responses thereon We assessed management's basis for the conclusions in (i), (ii) and (iv). We found these to be in accordance with FRS 105.

We also assessed management's estimate of the disposal group's fair value less costs to sell (iii). We found management's estimate to be reasonable.

We have considered disclosures in the financial statements. These are adequate in our view.

Valuation of leasehold building and investment property

The Group's and Company's leasehold building is stated at its revalued amount, while its investment property is measured at fair value 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 methodologies to be used, and is a source of estimation uncertainty due to the use of assumptions and unobservable inputs. Details are disclosed in Notes 3 and 15.

Our audit performed and responses thereon We evaluated whether the independent valuer had the necessary competence, capabilities and objectivity for purposes of our audit.

We also 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.

We found 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. We consider the disclosures in the financial statements to be appropriate.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF OEL (HOLDINGS) LIMITED

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. 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 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF OEL (HOLDINGS) LIMITED

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

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

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 Mr Rankin Brandt Yeo.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 31, 2017

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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 13 and 14 to the financial statements respectively. As disclosed in Note 12, two of the subsidiaries were effectively disposed of subsequent to the year end.

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, 2016 were authorised for issue by the Board of Directors on March 31, 2017.

Material Uncertainty Related to Going Concern

As at December 31, 2016, the Group and the Company have net current liabilities of S\$1.6 million. The current liabilities include bank loans of \$1.0 million which are contractually due within 12 months from the end of the reporting period. Should the Company be unable to rollover the existing loans or alternative re-financing of the loans be unsuccessful, the Group and the Company may have insufficient cash to fulfil obligations at the relevant repayment dates. This may impede continuation of property management operations, which is the Group's only remaining business.

Notwithstanding these conditions, the financial statements have been prepared on a going concern basis on the following assumptions:

- The property management business will generate sufficient cash flows to cover operating costs and service interest payments; and
- The lenders will be supportive of the Group 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 Company and the Group 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.