

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

NON-BINDING MEMORANDUM OF UNDERSTANDING IN RELATION TO THE PROPOSED ACQUISITION OF SHARES IN ALLIED RESOURCES LIMITED

1. INTRODUCTION

The Board of Directors (the “**Directors**” or the “**Board**”) of OEL (Holdings) Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has on 23 September 2014, entered into a non-binding memorandum of understanding (the “**MOU**”) with Shao TianPeng (“**Vendor**”) (邵天朋) (collectively, the “**Parties**”). Under the terms of the MOU, it is envisaged that the Company will, through a wholly owned subsidiary to be established (“**Purchaser**”), acquire such number of shares representing between 60% and 100% of the entire issued share capital (“**Sale Shares**”) of Allied Resources Limited (泓资有限公司) (“**Allied Resources**”) (“**Proposed Acquisition**”).

The MOU is not intended to be legally binding between the Parties, except for certain provisions relating to exclusivity and confidentiality.

2. INFORMATION ON THE TARGET COMPANIES AND THE VENDOR

2.1 Information on the Target Companies

Allied Resources is an investment holding company in Hong Kong. According to the MOU, the Purchaser will acquire such number of shares from the Vendor representing between 60% and 100% of the entire issued share capital of Allied Resources.

Allied Resources has a wholly owned subsidiary incorporated in the People’s Republic of China (“**PRC**”), named Jilin Hengli Industries Liability Co., Ltd (吉林恒利实业有限责任公司) (“**Hengli**”).

Hengli is an investment holding company and its principal asset is its 50% interest in Qian An Oilfield Development Co., Ltd. (乾安石油开发有限责任公司) (“**Qian An**”). Qian An is a joint venture company equally held between Hengli and PetroChina Company Limited (中国石油天然气股份有限公司). Qian An is principally engaged in the exploitation, development and production of oil and natural gas from two oilfields in Jilin, China. The oilfields are currently in production.

Allied Resources together with Hengli and Qian An are referred to as the “**Target Companies**” or the “**Target Group**”.

2.2 Information on the Vendor

The Vendor is a Chinese national and has over 14 years of experience in the oil and gas industries, covering both technical and general management positions. The Vendor is also a director of Allied Resources. The Vendor is not related to any of the Directors or Controlling Shareholders of the Company. As at the date of this announcement, to the best of the knowledge of the Company, the Vendor does not hold any shares in the Company.

3. RATIONALE FOR THE PROPOSED ACQUISITION

Following the completion of the disposal of the Company’s and Group’s distribution business (the “**Distribution Business**”) on 31 October 2013 for a base consideration of S\$70 million, it has been the intention of the Directors to deploy the proceeds from the disposal of the

Distribution Business to fund future acquisitions and its working capital, consider reducing its bank borrowing and provide a dividend distribution. In accordance with its diversification strategy and to achieve long term growth, the Company is exploring opportunities in the oil and gas industry so as to achieve sustainable growth. The Company believes that the Proposed Acquisition has potential for growth and would benefit the Company and its shareholders.

4. PRINCIPAL TERMS OF THE MOU

4.1 Proposed Acquisition and Consideration

The Parties are in negotiations with a view for the Purchaser to acquire, and the Vendor to sell, the Sale Shares at a consideration between S\$22.5 million and S\$37.5 million (the “**Consideration**”), depending on the percentage of issued share capital of Allied Resources acquired by the Purchaser.

The Consideration shall be payable in cash and/or shares in the Company (“**Consideration Shares**”) in a proportion, and at a price per Consideration Share, to be agreed by the Parties. In this regard, the Parties acknowledge that their discussion have proceeded on the basis that the Consideration Share will be issued at a price of S\$0.095 (“Issue Price”) and is arrived at on a willing-buyer, willing-seller basis. The Consideration Shares will be issued to the Vendor or his nominee.

The Company will fund the Proposed Acquisition through internal resources, bank borrowings and/or fund raising exercises such as placements or other capitalisation exercises.

It is intended that the Proposed Acquisition will not constitute a major transaction under Chapter 10 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited.

4.2 Exclusivity

The Parties have agreed to an exclusivity period of four (4) months commencing from the date of the MOU, pursuant to which the Vendor and the Target Group shall not take any action to consider, solicit, initiate, encourage any proposal, negotiation or offer from any person or entity relating to any investment in the Target Group or acquisition or any part of the shares in the Target Group.

4.3 Definitive Agreement

Following the entry into the MOU, the Company and the Purchaser will commence its due diligence into the Target Group and the Parties will endeavour to work towards the execution of a definitive sale and purchase agreement relating to the Proposed Acquisition within 60 days of the signing of the MOU. The final terms and conditions of the Proposed Acquisition are subject to the execution of the definitive sale and purchase agreement.

4.4 Confidentiality

The Parties shall keep confidential and shall not disclose to any other person, nor use for any purpose except the purposes of the transactions contemplated under the MOU, any information obtained from the other party as a result of negotiating, entering into or implementing the transactions contemplated under the MOU other than information which is required by law or stock exchange regulations which is required to be disclosed to a party’s professional advisers or which is or becomes within the public domain.

4.5 Governing Law

The MOU shall be governed by the laws of the Republic of Singapore.

5. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the MOU, save through their respective shareholdings in the Company (if any).

6. FURTHER ANNOUNCEMENTS

Further details of the Proposed Acquisition will be discussed by the Parties upon signing of the MOU. The Company will make further announcements upon the execution of the definitive agreement and/or when there are material developments in respect of the Proposed Acquisition.

7. TRADING CAUTION

Shareholders are advised to exercise caution in trading their shares as there is no certainty or assurance as at the date of this announcement that a definitive sale and purchase agreement in respect of the Proposed Acquisition will be entered into on the terms and conditions set out in the MOU or the Proposed Acquisition will be undertaken at all.

Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

By Order of the Board

Derick Lim Chien Joo
Group Financial Controller / Company Secretary
23 September 2014

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 or approved 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: -

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