

GIKEN SAKATA (S) LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 197903879W)

MEMORANDUM OF UNDERSTANDING IN RELATION TO THE PROPOSED ACQUISITION OF 51% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF CEPU SAKTI ENERGY PTE LTD

1. INTRODUCTION

The board of directors (the “**Directors**”) of Giken Sakata (S) Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has entered into a memorandum of understanding dated 11 April 2014 (the “**MOU**”) with Java Petral Energy Pte Ltd (“**JPEL**”) in relation to, among others, the proposed acquisition of 51% of the issued share capital of Cepu Sakti Energy Pte Ltd (the “**Target**”) by the Company from JPEL (the “**Proposed Transaction**”).

The MOU is not intended to be legally binding on the Company and JPEL (each a “**Party**” and collectively, the “**Parties**”), save for certain provisions relating to, among others, exclusivity, confidentiality and costs.

2. INFORMATION ON THE TARGET

The Target is the corporate headquarter of the Target group, and was incorporated in Singapore in 2002. The Target owns 95% of the issued and paid-up share capital of PT Cepu Sakti Energy (“**PT Cepu**”), while the remaining 5% of the issued and paid-up share capital of PT Cepu is owned by Muhammad Boy Saleh and Ario Djoko Damar.

PT Cepu holds the rights to operate and produce oil from two (2) oilfields in the Central Java region of Indonesia, with a total of 148 oil wells (the “**Oil Fields**”). As at the date of the MOU, the Oil Fields are producing a minimum of 300 barrels of crude oil per day.

For further information on the Target, please refer to the Target’s website at www.cepuenergy.com. Please note that the provision of this link is for reference only, and the Company shall not be responsible or liable for the contents of the Target’s website, and has not independently verified the accuracy of the information therein.

3. RATIONALE FOR THE PROPOSED TRANSACTION

The Group is currently engaged in the: (a) manufacturing and sale of microshafts and plastic injection moulding parts; (b) assembly of mechanisms and printed circuit board assembly used in computers and a range of electronic products; and (c) sourcing and marketing of component parts for the electronics industry. The Proposed Transaction offers a potential opportunity for the Group to diversify into the oil and gas sector and to expand its earnings base.

4. PRINCIPAL TERMS OF THE MOU

4.1 Consideration

The aggregate consideration for the acquisition by the Company of 51% of the issued share capital of the Target from JPEL is intended to be S\$48 million (the “**Consideration**”) to be paid in the following manner:

- (a) approximately S\$20 million to S\$25 million of the Consideration shall be satisfied in cash (the “**Cash Consideration**”); and
- (b) the balance of the Consideration shall be satisfied by the issue and allotment of new ordinary shares of the Company (the “**Consideration Shares**”) at the issue price of no more than S\$0.30 per Consideration Share.

The Consideration was determined at arm’s length on a willing-buyer willing-seller basis, and taking into consideration the rate of production and the anticipated recoverable reserves of the Oil Fields.

In connection with the Proposed Transaction, the Company intends to undertake a placement of new shares to fund the Cash Consideration.

4.2 Conditions Precedent

Completion of the Proposed Transaction is intended to be conditional upon the following conditions being fulfilled on or before the date of such completion (the “**Completion Date**”):

- (a) completion of all due diligence by the Company, and the results thereof being satisfactory to the Company;
- (b) compliance with all applicable laws and regulations;
- (c) obtaining all necessary applicable consents and approvals (including, if applicable, the approval of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), the Company’s continuing Sponsor and the Directors and shareholders of the Company) required to complete the Proposed Transaction;
- (d) the Company raising the Cash Consideration through an issuance of new shares;
- (e) the Oil Fields having a valuation of no less than US\$100 million, as verified by an independent qualified valuer reasonably acceptable to the Company;
- (f) completion of a qualified person’s report (as per Rule 1014(2) of the Listing Manual Section B: Rules of Catalist (the “**Listing Manual**”) of the SGX-ST) of the crude oil reserves and resources of the Oil Fields in a form reasonably acceptable to the Company (the “**QPR**”), and such QPR stating that the Oil Fields have a gross and net entitlement of oil reserves of approximately 10,000,000 barrels of recoverable reserves;

- (g) there being no material adverse change to the prospects, operations, financial and/or business conditions of the Target, PT Cepu and the Oil Fields from the date of the definitive sale and purchase agreement governing the Proposed Transaction (the “SPA”) and up to and including the Completion Date;
- (h) JPEL having performed all of the covenants and undertakings required to be performed by it under the SPA on or before the Completion Date;
- (i) JPEL being the legal and beneficial owner of the entire issued and paid-up share capital of the Target and there being no outstanding convertible securities convertible into voting shares of the Target;
- (j) the Target, Muhammad Boy Saleh and Ario Djoko Damar being the legal and beneficial owners of the entire issued and paid-up share capital of PT Cepu; and
- (k) PT Cepu holding the rights to operate and produce oil from the Oil Fields.

4.3 Moratorium

JPEL will undertake that for a period of one (1) year commencing from the Completion Date, it shall not sell, realize, transfer or otherwise dispose of any of the Consideration Shares.

4.4 Right to Appoint Directors

It is intended that on or after completion of the Proposed Transaction:

- (a) the Company shall have the right to appoint and/or remove directors in the Target and shall have control of the Target in a manner that allows the Company to consolidate the Target’s financials in accordance with Singapore Financial Reporting Standards; and
- (b) JPEL shall have the right to nominate two (2) directors to the board of directors of the Company.

4.5 Right of First Refusal

JPEL will grant the Company a right of first refusal for the Company to purchase the remaining 49% of the issued share capital of the Target from JPEL.

4.6 Representations and Warranties

The Parties will give representations and warranties customary to transactions of this nature.

4.7 Reserves Report

JPEL intends to commission a reserves report of the Oil Fields from Synergy Oil & Gas Pte Ltd (the “Reserves Report”).

4.8 Definitive Agreement

The Parties shall use their commercially reasonable endeavours to negotiate, finalise and execute the SPA within 45 days from the issuance of the Reserves Report.

Entry into the SPA is subject to:

- (a) completion of preliminary due diligence by the Company (the “**Preliminary Due Diligence**”), and the results thereof being satisfactory to the Company;
- (b) compliance with all applicable laws and regulations; and
- (c) obtaining all necessary applicable consents and approvals required to enter into the SPA.

4.9 Exclusivity Period

Each Party agrees that for the period commencing on the date of the MOU and ending on the earlier of (a) 45 days after the issuance of the Reserves Report; or (b) 75 days from the date of the MOU, all dates inclusive, unless extended by mutual consent (the “**Exclusivity Period**”), it will work with the other Party exclusively to finalise and execute the SPA. During the Exclusivity Period, the shareholding structure of JPEL and its subsidiaries shall not change from the structure set out in paragraph 2 of this announcement.

4.10 Duration of MOU

The MOU shall be valid and continue for the Exclusivity Period or until such time as the SPA is executed, whichever is the earlier.

Notwithstanding any clause in the MOU, in the event that the results of the Preliminary Due Diligence are not satisfactory to the Company at any time, the Company shall be entitled to terminate the MOU henceforth by giving a notice in writing to JPEL.

5. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the MOU is available for inspection during normal business hours at the Company’s registered office for a period of three (3) months from the date of this announcement.

6. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial shareholders of the Company has, any interest, direct or indirect, in the Proposed Transaction, other than through their respective shareholdings in the Company.

7. FURTHER ANNOUNCEMENTS

The Company will make further announcements, in compliance with the requirements of the Listing Manual, upon the execution of the SPA and/or when there are material developments in respect of the Proposed Transaction.

8. CAUTION IN TRADING

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 the SPA will be entered into, the terms and conditions of the Proposed Transaction in the SPA will not differ from those set out in the MOU, or the Proposed Transaction will be undertaken at all.

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

By Order of the Board
GIKEN SAKATA (S) LIMITED

Ng Say Tiong
Chief Financial Officer

11 April 2014

This announcement has been prepared by the Company and its contents have been reviewed by the company's Sponsor, Stamford Corporate Services Pte Ltd, for compliance with the relevant rules of the SGX-ST. The Company's 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 document, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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