

**HESHE HOLDINGS LIMITED**  
(Company Registration No. 197501110N)

**SECOND MEMORANDUM OF UNDERSTANDING ENTERED INTO BETWEEN HESHE HOLDINGS LIMITED, CHIP LIAN INVESTMENTS PTE LTD AND ONYX ASIA PTE LTD IN RELATION TO CITIRAYA INDUSTRIES LTD**

**1. Introduction**

Further to the announcement dated 31 October 2005 made by Heshe Holdings Limited ("**Heshe**" or the "**Company**") in connection with the Memorandum of Understanding (the "**First MOU**") entered into by Heshe and Chip Lian Investments Pte Ltd ("**Chip Lian**") (collectively the "**Investors**") with Onyx Asia Pte Ltd ("**Onyx Asia**"), Heshe is pleased to announce that the Investors have entered into a Second Memorandum of Understanding (the "**Second MOU**") with Onyx Asia setting out the basis and method in which they hope to collaborate together in relation to Citiraya Industries Ltd ("**CIL**").

**2. The Second MOU**

Under the terms of the Second MOU (which is subject to future contract), upon the investment by Heshe and Chip Lian into CIL, the Investors intend to work with Onyx Asia to develop the business of CIL in the following manner:-

- 2.1 CIL will enter into a Manage-and-Operate Agreement with a new company (the "**M&O Company**") to be set up (in which Onyx Asia will have a controlling 75% stake), whereunder the M&O Company will manage and operate the Singapore plant and facilities of CIL. The fee arrangement will be determined by agreement between CIL and Onyx Asia.
- 2.2 Onyx Asia will enter into a long-term non-exclusive supply contract with the M&O Company or CIL (as the case may be), whereunder Onyx Asia will supply e-waste for recycling by CIL, for a fee to be agreed between the relevant parties.
- 2.3 Heshe, through one or more of its subsidiaries, will also provide and supply e-waste for recycling by CIL, for a fee to be agreed between the relevant parties.
- 2.4 Onyx Asia will agree on a fee arrangement for waste by-products produced as a result of the operations of CIL, under the Manage-and-Operate Agreement.
- 2.5 The parties will also work together to promote the business of CIL, including the following:-
  - 2.5.1 they will implement procedures and reporting requirements to maximize operational accountability and transparency of the Singapore plant and facilities; and
  - 2.5.2 they will use their best endeavours to promote the business of CIL, including sourcing and developing new customers for CIL.

If the above business model is successful, the parties also intend to explore and discuss expanding this business model to CIL's plant and facilities outside of Singapore thereafter.

### 3. **Information on Onyx Asia**

Onyx Asia has extensive waste management operations in Asia (including the People's Republic of China, Singapore, South Korea, and India). The operations of Onyx Asia include waste collection, recycling, treatment and disposal for municipalities and the industrial sector.

Onyx Asia is the wholly owned subsidiary of Onyx, a company within the Veolia Environnement group dedicated to waste management, and a leading company worldwide in waste management. Veolia Environnement is listed on the Paris and New York Stock Exchanges. It has an estimated market capitalisation of US\$16.9 billion.

The Veolia Environnement group is engaged in a wide range of business activities, including water management, provision of energy services, waste management and transportation services. It has expertise in "upstream" waste management, including the provision of logistics services, waste collection and sewerage management. From discussions between the Investors and Onyx Asia, it is believed that the services that they offer would be complementary to CIL's "downstream" waste processing capabilities, which include waste processing to recover materials for the purpose of re-introducing such materials into the industrial process. The Veolia Environnement group, with its capabilities and established operations in Asia, Europe and North America, is viewed by the Investors as a potential valuable strategic partner for the proposed investment in CIL.

### 4. **Rationale**

On 19 September 2005, Heshe and Chip Lian entered into an Investment Agreement setting out the terms whereunder they would be prepared to invest in CIL. Such investment is subject to various conditions precedent being satisfied, which are still pending.

The Second MOU represents Heshe's continued efforts to prepare a business plan and model for CIL's business, such that if Heshe's investment in CIL proceeds, it will have a viable business model, with strategic partners who can add value, in place for its future business.

Heshe believes that having Onyx Asia as a strategic business partner (as contemplated by the Second MOU) will be beneficial for CIL for the following reasons:-

- (a) Onyx Asia will bring its depth of global experience in the e-waste management industry to the business of CIL.
- (b) Onyx Asia will also provide a source of e-waste to be processed in CIL's plant, which will provide an income stream for CIL.
- (c) The management of the CIL plant by the M&O Company (which will be a 75% subsidiary of Onyx Asia) will provide greater operational accountability and transparency to CIL's operations.
- (d) There will be opportunities to expand the scope of business cooperation between the parties.
- (e) Having a viable business model will be beneficial to CIL's creditors as well as its shareholders.

Heshe will continue to update shareholders on developments by way of an announcement at the appropriate juncture, as required by SGX listing rules.

By Order of the Board

Chng Weng Wah  
Director

24 November 2005