

HESHE HOLDINGS LIMITED
(Company Registration No. 197501110N)

MEMORANDUM OF UNDERSTANDING ENTERED INTO BETWEEN HESHE HOLDINGS LIMITED, CHIP LIAN INVESTMENTS PTE LTD AND EACH OF ONYX ASIA PTE LTD AND IRM INDUSTRIES SDN BHD IN RELATION TO CITIRAYA INDUSTRIES LTD

1. Introduction

Further to the announcement of 20 September 2005 by Heshe Holdings Limited ("**Heshe**" or the "**Company**") in connection with the Investment Agreement dated 19 September 2005 relating to the Company's proposed investment in Citiraya Industries Ltd ("**CIL**"), the Board of Directors of the Company is pleased to announce that Heshe and Chip Lian Investments Pte Ltd ("**Chip Lian**") (collectively the "**Investors**"), have on 31 October 2005 entered into the following agreements:-

- (a) A Memorandum of Understanding with Onyx Asia Pte Ltd ("**Onyx Asia**"); and
- (b) A Memorandum of Understanding with IRM Industries Sdn Bhd ("**IRM**").

2. Terms of the Memorandum of Understanding

The purpose of each Memorandum of Understanding (the "**MOU**") is to record Onyx Asia's and IRM's interest and desire to work together with the Investors in respect of their potential investment in CIL. Specifically, each of Onyx Asia and IRM has acknowledged their interest in becoming co-investors with the Investors in CIL. The parties to each MOU believe that there are synergistic opportunities for them to work together for their mutual benefit.

Under the terms of the MOU, which is subject to contract:-

- 2.1 it is contemplated that Onyx Asia and IRM would work with the Investors towards a strategic investment in CIL, and the MOU represents the good faith understanding of the parties to co-operate further in this respect;
- 2.2 the parties will also, in good faith, engage in further discussions and negotiations to identify and agree on areas of co-operation between the Investors and each of Onyx Asia and IRM;
- 2.3 any future agreement would be subject to the requisite consents and approvals being obtained; and
- 2.4 if the relevant parties have not entered into the definitive investment agreement, the MOU will terminate on 30 June 2006.

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. Information on IRM

IRM specialises in recycling and reclamation of non-ferrous and precious metal. It is also involved in plastic waste recycling, providing industrial waste disposal services, and the import and export of non-ferrous metal. It is believed to be one of the major providers of recycling and reclamation services in Malaysia. Its business operations are presently headquartered in Malaysia. With its experience in the Asian waste recycling market, the Investors view IRM as another potential valuable strategic partner.

5. Status of Heshe's potential investment in CIL

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, including (without limitation) the approval of Heshe's shareholders and the resolution, settlement and restructuring of all outstanding indebtedness and liabilities (including contingent, potential and/or ancillary claims and liabilities) of the CIL group on terms acceptable to the investors, which conditions are still pending. In particular, attention is drawn to the announcements made by CIL in relation to its business and financial matters.

The MOUs entered into by Heshe and Chip Lian (and to which CIL is not a party) are indicative of their continued interest in pursuing an investment in CIL with strategic parties who may add value. However, any such potential investment is subject to, among other things, the aforesaid conditions being satisfied and the terms of such investments being agreed upon by all relevant parties.

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

31 October 2005