

HESHE HOLDINGS LIMITED
(Company Registration No. 197501110N)

EXERCISE OF OPTION TO SUBSCRIBE FOR SHARES IN THE COMPANY

1. The Board of Directors of Heshe Holdings Limited (the "**Company**") wishes to announce that its Director and Chief Executive Officer, Mr Chng Weng Wah , has served a notice on the Company to exercise his option to subscribe for 36,000,000 ordinary shares in the share capital of the Company at S\$0.055 per share pursuant to the terms of the option (the "**Option**") granted to Mr Chng to subscribe for up to 78,000,000 ordinary shares in the share capital of the Company as set out in the Investment Agreement between the Company and Mr Chng dated 29 December 2003 (as amended) (the "**Investment Agreement**"). Upon the completion of the above exercise of the Option, the Company will receive S\$1,980,000.00.
2. The Option was granted to Mr Chng in connection with the issue of 163,000,000 ordinary shares (the "**Chng New Shares**") in the capital of the Company by the Company on the terms set out in the Investment Agreement and was granted pursuant to the shareholders' approval obtained on 26 January 2005. The Option is exercisable at any time and from time to time (in whole or in part) for a period of 24 months from 3 February 2005.
3. Mr Chng was granted a waiver by the Securities Industry Council on 24 February 2004 from having to make a mandatory general offer for all the issued shares in the capital of the Company upon, *inter alia*, the exercise of the Option by Mr Chng.
4. The completion of the transaction is expected to take place on 9 December 2005, and further announcements in respect of the resulting change in shareholdings will be made in due course.
5. Following the above exercise of the Option, Mr Chng continues to have an option to subscribe for 42,000,000 ordinary shares in the share capital of the Company on the terms set out in the Investment Agreement.
6. In connection with the issue of the Chng New Shares, the Company also issued 50,000,000 ordinary shares (the "**Soh New Shares**") in the capital of the Company to Mr Soh Kim Yong ("**Mr Soh**") in February 2005 pursuant to the terms of the investment agreement entered into between the Company and Mr Soh dated 18 August 2004. The aggregate proceeds from the issue of the Chng New Shares and the Soh New Shares amounted to approximately S\$7,585,000 (excluding the deposit paid by Mr Chng on signing of the Chng Investment Agreement) (the "**Proceeds**"). The Proceeds have been used by the Company for, *inter alia*, its general working capital, the payment of the Group's creditors, the discharge of the Group's outstanding credit facilities, the discharge of its liabilities to the tax authorities, its investment in Vic Technology Limited, and part payment of the deposit payable in relation to its proposed investment in Citiraya Industries Ltd. The Company expects to utilise the proceeds from the above exercise of the Option for, *inter alia*, its general working capital and for the balance payment of

the deposit payable in relation to its proposed investment in Citiraya Industries Ltd.

By Order of the Board

Chng Weng Wah
Director

2 December 2005