

# SHS HOLDINGS LTD.

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 197502208Z)

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## THE PROPOSED SALE OF (I) THE ENTIRE SHAREHOLDING INTERESTS IN SINENERGY HOLDINGS PTE. LTD. AND (II) 10% SHAREHOLDING INTERESTS IN HDFC SINPOWER LIMITED.

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### 1. INTRODUCTION

- 1.1 The board of directors (the “**Board**” or “**Directors**”) of SHS Holdings Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company had on 27 October 2020 entered into a sale and purchase agreement (“**SPA (SHS-Huadian)**”) with China Huadian Hongkong Company Limited (“**CHDHK**”) for the sale of its entire shareholding interests comprising of 1,000,000 ordinary shares (“**Sinenergy Sale Shares**”) in Sinenergy Holdings Pte. Ltd. (“**Sinenergy Holdings**”) to CHDHK (“**Proposed Sinenergy Divestment**”).
- 1.2. Sinenergy Holdings is wholly owned by the Company. Upon completion of the Proposed Sales (“**Completion**”), the Company would have disposed of its entire shareholding interest in Sinenergy Holdings, and Sinenergy Holdings will cease to be a subsidiary of the Company.
- 1.3. As a requirement of the Proposed Sinenergy Divestment, Sinenergy Holdings had on 7 August 2020 entered into a share purchase agreement and a supplemental deed to such agreement dated 27 October 2020 (collectively, “**SPA (SIN-Ditrolic)**”) with Ditrolic (S) Pte. Ltd. (“**Ditrolic**”, and collectively with CHDHK, the “**Purchasers**”) for the sale of its 10% shareholding interests (“**HDFC Sale Shares**”, and together with the Sinenergy Sale Shares, the “**Sale Shares**”) comprising of 395,002 shares in HDFC Sinpower Limited (“**HDFC**”) to Ditrolic (“**Proposed HDFC Dilution**”, and collectively with the Proposed Sinenergy Divestment, the “**Proposed Sales**”). This was undertaken, as required by CHDHK, so that on completion of the Proposed Sinenergy Divestment, Sinenergy Holdings only holds 65% of the shareholding interests in HDFC as opposed to its current 75% shareholding interests.
- 1.4. The HDFC Sale Shares were transferred to Ditrolic under the SPA (SIN-Ditrolic) prior to full payment of the SPA (SIN-Ditrolic) Consideration (as defined below) being made. As a transitional arrangement in ensuring certainty of payment of the SPA (SIN-Ditrolic) Consideration to Sinenergy Holdings, Ditrolic had, in addition to the grant of the Call Option (as defined below) in paragraph 2.7 of this Announcement, entered into a declaration of trust dated 7 August 2020 in favour of Sinenergy Holdings (the “**Declaration of Trust**”), pursuant to which Ditrolic holds the HDFC Sale Shares on trust for and on behalf of Sinenergy Holdings, with effect from the date of SPA (SIN-Ditrolic), which arrangement shall terminate upon the earlier to occur of:
- (a) Sinenergy Holdings receiving the SPA (SIN-Ditrolic) Consideration in full; and
  - (b) Sinenergy Holdings receiving certain documents as prescribed in the SPA (SIN-Ditrolic) and the date of completion of the Proposed Sinenergy Divestment (“**Completion Date**”), whichever is the later,

collectively, the “**Interim Period**”.

Sinenergy Holdings shall retain beneficial ownership of the HDFC Sale Shares during the Interim Period pursuant to the Declaration of Trust. Upon termination of the Declaration of Trust, Ditrolic shall be the legal and beneficial owner of the HDFC Sale Shares. In the event that the Declaration of Trust is terminated as a result of the Completion Date occurring before the full

payment of the SPA (SIN-Ditrolic) Consideration, the Company may rely on the payment mechanics of the Funds Flow Deed in paragraph 2.5.1 of this Announcement to obtain payment of the SPA (SIN-Ditrolic) Consideration from Ditrolic.

- 1.5. Upon completion of the Proposed HDFC Dilution, Sinenergy Holdings will have disposed 10% of its shareholding interest in HDFC, and HDFC will only be 65% owned by Sinenergy Holdings, with the remaining 20% and 15% owned by Ditrolic and IFDC Solar Power (BD) Ltd. (“**IFDC**”) respectively.
- 1.6. The Proposed Sales constitute a “major transaction” under Rule 1014 in Chapter 10 of the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), and will require the approval of the shareholders of the Company (the “**Shareholders**”) being obtained at an extraordinary general meeting (the “**EGM**”) to be convened. For further details on the relative figures in respect of the Proposed Sales computed on the bases set out in Rule 1006 of the Listing Manual, please refer to paragraph 3 of this Announcement.

## **2. THE PROPOSED SALES**

### **2.1 Information on Sinenergy Holdings**

Sinenergy Holdings is a wholly owned subsidiary of the Company, and was incorporated on 3 December 2015 in the Republic of Singapore. Sinenergy Holdings focuses on solar modules and technology ranging from solar roof systems to power plants. Sinenergy Holdings provides cutting-edge solutions, including engineering, procurement and construction of solar power projects and solar power project development, with exceptional reliability and first-class service.

### **2.2 Information on HDFC**

HDFC is a special purpose vehicle, and was incorporated on 23 February 2016 under the laws of Bangladesh. HDFC was incorporated to own, design, construct, operate and maintain the solar power plant of 50MW capacity at Sutiakhali, Mymensingh District, Bangladesh (“**Solar Power Plant**”).

### **2.3 Information on CHDHK**

CHDHK is a wholly owned subsidiary of China Huadian Corporation Ltd (“**CHD**”), and was incorporated in 2006 in Hong Kong. CHD is one (1) of the five (5) state-owned sole proprietorship power generation corporations in People’s Republic of China (“**PRC**”) organised at the end of 2002, according to the national reform for electricity system. As the international investment and financing platform of CHD, CHDHK serves energy generation, coal resources development, and international trading sectors worldwide.

### **2.4 Information on Ditrolic**

Ditrolic is one (1) of the leading provider and developer of solar power systems for commercial, industrial and large scale solar projects in South East Asia. Ditrolic is an existing 10% shareholder in HDFC.

*All information in respect of the Purchasers and CHD are based solely on information and representations made and provided by the Purchasers. In respect of such information, the Company has not independently verified the accuracy and correctness of the same and the Company’s responsibility is limited to ensuring that such information has been accurately and*

*correctly extracted and reproduced in this Announcement in its proper form and context.*

Each of the Purchasers has further confirmed to the Company that, and to the best knowledge of the Company, saved as disclosed in this Announcement and in particular in paragraph 2.4 in respect of Ditrollic, there is no connection (including business relationship) between the Purchasers, their respective directors and their respective controlling shareholders with the Company or the Group, their respective Directors and their respective controlling Shareholders.

## **2.5 Base Consideration**

The aggregate consideration for the Proposed Sales ("**Base Consideration**") is US\$16,532,000 (approximately S\$22,484,000, based on an exchange rate of US\$1 : SG\$ 1.36 as at 27 October 2020).

### SPA (SHS-Huadian)

The consideration under the SPA (SHS-Huadian) comprise of:

- (i) US\$12,480,000 ("**SPA (SHS-Huadian) Consideration**"), which shall be paid by CHDHK in cash, in the following manner:
  - (a) US\$9,984,000 to the Company on Completion on account of the SPA (SHS-Huadian) Consideration;
  - (b) US\$1,902,875 within thirty (30) days after the Company's delivery of documentary evidence with respect to the completion of the Company's disposal of shares in Sinenergy Ninh Thuan Power LLC and Solar NT Holdings Pte. Ltd. ("**Transfer of the NT Companies**") pursuant to the share purchase agreements dated 29 March 2019 in respect of the Transfer of the NT Companies ("**NT Purchase Agreement**")<sup>1</sup>; and
  - (c) US\$593,125 which shall be paid on the later to occur of:
    - I. the date falling six (6) months after Completion; and
    - II. the same date on which the Company makes the payment pursuant to paragraph 2.5(i)(b) above; and
- (ii) within five (5) days after Completion (or such other date agreed between the Company and CHDHK), CHDHK shall pay to the Company all documented costs and expenses (without double counting), including those listed in the SPA (SHS-Huadian), and all other documented costs and expenses reasonably incurred or funded by the Company for the Project (including without limitation for the purpose of procuring the mutation of all required Project Site<sup>2</sup>) between 30 June 2019 and the Completion Date, and as approved by CHDHK (such approval not to be unreasonably withheld) ("**Reimbursable**")

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<sup>1</sup> For further information on the Transfer of the NT Companies, please refer to the announcements of the Company dated 26 December 2018 and 28 May 2020.

<sup>2</sup> The term "mutation" refers to the legal process of recording the new owner's name in the Khatiyon (the land records), who have become the owner of the land by way of transfer. The owner-on-record on the Khatiyon will be responsible for paying the relevant land taxes to the government. Updating of the Khatiyon does not confer title, but is used as evidence of present possession.

**Costs**") provided such Reimbursable Costs does not exceed the cap of US\$2,300,000 for such costs incurred or funded between 30 June 2019 and 30 November 2020. The Reimbursable Costs cap will be automatically increased from time to time by amounts equal to additional Reimbursable Costs incurred or funded between 1 December 2020 and the Completion Date and as approved by CHDHK.

#### SPA (SIN-Ditrolic)

The consideration under the SPA (SIN-Ditrolic) ("**SPA (SIN-Ditrolic) Consideration**") comprise of:

- (i) the aggregate of US\$1,920,000; and
- (iii) reimbursement costs which is an amount equal to 1/6.5 of the Reimbursable Costs payable to the Company under the SPA (SHS-Huadian), provided such reimbursable costs under the SPA (SIN-Ditrolic) does not exceed 1/6.5 of the Reimbursable Costs cap under the SPA (SHS-Huadian),

payable within the two (2) months period commencing from the earlier of the completion of the Proposed Sinenergy Divestment and the Commercial Operations Date, to Sinenergy Holdings.

For the purposes of this Announcement:

**"Commercial Operations Date"** means the day following the day upon which the Project is commissioned to operate;

**"Power Purchase Agreement"** means the power purchase agreement entered into between HDFC and Bangladesh Power Development Board ("**BPDB**") dated 19 October 2016 relating to the Project, as amended or supplemented from time to time;

**"Project"** means the development, design, engineering, manufacture, financing, construction, permitting, start-up, testing, completion, insurance, commissioning, ownership, operation and maintenance of the Solar Power Plant, and all activities incidental thereto; and

**"Project Site"** means the real property for the Project, located at Sutiakhali, Gouripur, Mymensingh, Bangladesh.

#### **2.5.1 Assignment of SPA (SIN-Ditrolic) Consideration and Funds Flow Deed**

Sinenergy Holdings had entered into a deed of assignment dated 27 October 2020 (the "**Assignment Deed**") to assign absolutely to the Company the SPA (SIN-Ditrolic) Consideration, the Call Option and all related rights in relation to the SPA (SIN-Ditrolic) Consideration. This arrangement will result in Ditrolic paying the SPA (SIN-Ditrolic) Consideration to the Company instead of Sinenergy Holdings, and the Company shall be the holder of the Call Option.

Further, the Company, Sinenergy Holdings, Ditrolic and HDFC had entered into a funds flow deed dated 27 October 2020 (the "**Funds Flow Deed**") pursuant to which, HDFC agrees to pay all the consideration due to Ditrolic for services rendered in relation to project management consultancy of the Solar Power Plant directly to the Company, with such payment arrangement to be discharged upon the full and final satisfaction of the SPA (SIN-Ditrolic) Consideration.

## 2.5.2 Determination of Base Consideration

The Base Consideration was arrived at after arm's length negotiations between the Group and the Purchasers and on a willing-buyer and willing-seller basis, taking into account, *inter alia*, the rationale for and benefits to the Group arising from the Proposed Sales, details of which are set out in paragraph 4 of this Announcement.

## 2.6 Conditions of SPA (SHS-Huadian)

Completion is conditional on certain conditions ("**Conditions**") being satisfied or waived (if permitted by applicable laws) by the five (5) pm on the date falling six (6) months following the date of the SPA (SHS-Huadian), or such other time and date as may be agreed in writing between the Company and CHDHK ("**Longstop Time**"), which includes, amongst others, the following:

- (i) the provision of the certified true copies of the following documents from the relevant PRC authorities:
  - (a) Notice of the Foreign Investment Project Record-filing (境外投资项目备案通知) issued by the National Development and Reform Commission of the PRC ("**NDRC**") as evidence of successful filing with the NDRC in relation to the acquisition of the Sinenergy Sale Shares;
  - (b) Certificate of Outbound Investment by Enterprises (企业境外投资证书) issued by the Ministry of Commerce of the PRC ("**MOFCOM**") as evidence of successful filing with the MOFCOM in relation to the acquisition of the Sinenergy Sale Shares; and
  - (c) written evidence of successful foreign exchange registration with State Administration of Foreign Exchange of the PRC ("**SAFE**") or with the relevant foreign exchange remitting bank in relation to the registration of CHDHK for foreign exchange control purposes in relation to the acquisition of the Sinenergy Sale Shares, or, where such registration is not applicable, a certificate issued by an authorised representative of CHDHK describing such non-applicability under the applicable laws of the PRC;
- (ii) the Company having obtained its Shareholders' approval and approvals from the SGX-ST in connection with the transfer of the Sinenergy Sale Shares, and HDFC having entered into an indemnity deed (in form and substance satisfactory to the Company and CHDHK) in favour of the Company in respect to the indemnity contemplated at paragraph 2.7(f)(iii) below;
- (iii) the Company having procured the convening of an EGM for the purpose of approving the Proposed Sinenergy Divestment by its Shareholders, and having procured each of Teng Choon Kiat and Ng Han Kok to sign and deliver to CHDHK a letter in form and substance reasonably satisfactory to it, undertaking that he will, either personally or through his representative, attend the EGM and exercise all his voting rights attaching to his shares in the Company at the time of the EGM to vote in favour of the Proposed Sinenergy Divestment;
- (iv) the Company having provided written evidence to the reasonable satisfaction of CHDHK that the transfer of the HDFC Sale Shares has been completed or will be completed upon Completion;

- (v) the Company having provided written evidence to the reasonable satisfaction of CHDHK that HDFC has obtained an extension of the Required Commercial Operations Date (as defined in the Power Purchase Agreement) from BPDB to 30 June 2020;
- (vi) the Company having provided written evidence to the reasonable satisfaction of CHDHK that:
  - (a) Sinenergy Holdings has paid up and discharged all of Sinenergy Holdings' outstanding liabilities under the S\$5,000,000 line of credit granted by United Overseas Bank Limited to the Company for the purpose of, among others, maintaining the Performance Security Deposit (as defined in the Power Purchase Agreement) and the intercompany loans listed in the SPA (SHS-Huadian) extended by the Company; and
  - (b) HDFC has paid up and discharged all of its and Sinenergy Holdings' outstanding liabilities under the Power Purchase Agreement demanded by BPDB before Completion, provided that this Condition is deemed satisfied if HDFC does not receive any written demand from BPDB in respect of any amount for which HDFC has not settled, by the date on which all other Conditions (other than this Condition) have been satisfied or waived (if permitted);
- (vii) the Company having procured an extension of the Performance Security Deposit (as defined in the Power Purchase Agreement) provided by Sinenergy Holdings to BPDB under and in accordance with the Power Purchase Agreement until at least 30 November 2020;
- (viii) where the Transfer of the NT Companies is not completed by the date on which all other Conditions (other than this Condition and the Condition in sub-paragraph (vi)(b) above) have been satisfied or waived (if permitted):
  - (a) the Company having delivered a certified true copy of the NT Purchase Agreement fully executed by parties thereto in respect of the Transfer of the NT Companies (to the extent still pending completion) evidencing that the Transfer of the NT Companies is intended to be completed by 31 December 2020 and a copy of all regulatory approvals as may be required in Vietnam for the completion of the Transfer of the NT Companies; and
  - (b) Sinenergy Holdings having entered into, and granted an irrevocable power of attorney ("**POAs**") to individuals nominated by the Company to fully represent Sinenergy Holdings in all matters and acts relating to the Transfer of the NT Companies after Completion, in form and substance satisfactory to CHDHK,

and if the Transfer of the NT Companies is completed before the date on which all other Conditions (other than this Condition and the Condition in sub-paragraph (vi)(b) above) have been satisfied or waived (if permitted), documentary evidence with respect to the completion of the Transfer of the NT Companies;
- (ix) the Company having procured the Government of the People's Republic of Bangladesh ("**GOB**") to issue a letter to HDFC consenting to Sinenergy Holdings being the Lead Shareholder (as defined in the implementation agreement ("**Implementation Agreement**") entered into between the HDFC, the Power Grid Company of Bangladesh and the GOB dated 19 October 2016 relating to the Project, as amended or supplemented from time to time);

- (x) the Company having provided written evidence of amendment to the Articles of Association of HDFC and its share certificates to include the appropriate legends evidencing certain restrictions contained in the Implementation Agreement;
- (xi) the Company having procured that HDFC has entered into agreements of termination and mutual release with Bark Engineering & Construction Ltd., Sterling and Wilson Pvt. Ltd., DEVCONSULTANTS Ltd., M/S S.ALAM Construction and EQMS Consulting Limited with respect to the interim agreement and/or contract agreements previously signed with them;
- (xii) the Company having procured that Sinenergy Holdings has entered into an agreement of termination and mutual release with Ditrolic with respect to the services contract entered into between Ditrolic and Sinenergy Holdings dated 1 November 2016 for consultancy work for the Project;
- (xiii) the Company having procured that HDFC has renewed the no objection certificates for the Project and consents for Project Site clearance and Environmental Clearance Certificate pursuant to the Local Government (Thana Parishads and Thana Administration, Reorganization) Ordinance, 1982 (Order No. LIX of 1982), as amended;
- (xiv) the Company having procured that HDFC has obtained amendment to the Registration of Proposed Industrial Project amending the required date of project implementation to 30 June 2020;
- (xv) the Company having procured HDFC or its legal counsel to issue to GOB a letter requesting GOB's confirmation that the shareholder loan agreements to be entered into between HDFC and its shareholders are Financing Documents and the shareholders to such shareholder loan agreements are Lenders (each as defined in the Implementation Agreement);
- (xvi) the Company delivering evidence to CHDHK's reasonable satisfaction of HDFC's ownership and leasehold interest of all rights to use the Project Site, free from all encumbrances and with no pending or unresolved litigation, and all purchased Project Site has been mutated into the name of HDFC at the office of Assistant Commissioner of Land;
- (xvii) the Company having provided written evidence to the reasonable satisfaction of CHDHK that the Company's disposal of shares in Sinenergy Pte Ltd, Sinenergy Engineering Pte Ltd, Hua Sheng Energy Pte Ltd and Sinenergy TL Energy Joint Stock Company has been completed;
- (xviii) if and to the extent that the entry into and performance of such tripartite agreement is permitted under Bangladesh laws, the Company having procured that HDFC and Sinenergy Holdings enters into a tripartite agreement with IFDC, which shall be in full force and effect on or before the Completion Date, so as to (i) transfer IFDC's obligation to pay US\$1,500,000 to Sinenergy Holdings, from IFDC to HFDC, and (ii) at the same time set off HDFC's obligation to pay US\$1,500,000 to IFDC, subject to certain conditions under the tripartite agreement being met; and
- (xix) if and to the extent that the entry into and performance of such tripartite agreement is permitted under Bangladesh laws, the Company having procured that HDFC and Sinenergy Holdings have entered into a tripartite agreement with Ditrolic, which shall be in full force and effect on or before the Completion Date, to transfer Sinenergy Holding's obligation to pay Ditrolic US\$176,470, from Sinenergy Holdings to HDFC.

## 2.7 Salient terms of the SPAs

The other salient terms of the SPAs are as follows:

### SPA (SHS-Huadian)

#### (a) **Operation of Group Companies**

Pending Completion, the Company shall procure that (subject to certain permitted actions in the SPA (SHS-Huadian) and to the extent permitted by applicable laws) each of Sinenergy Holdings and HDFC (each, a “**Group Company**”, and collectively, the “**Group Companies**”) shall continue to operate in the ordinary course of business consistent with past practice, while preserving the value of its assets, goodwill and current business relationships and maintaining its trading and financial position, and in accordance with all applicable laws.

#### (b) **Restrictions on Group Companies**

From the date of SPA (SHS-Huadian) and until Completion, the Company shall procure that, subject to certain permitted actions in the SPA (SHS-Huadian) and to the extent permitted by applicable competition laws) no Group Company shall or shall agree to (whether conditionally or not), undertake certain actions customary of pre-Completion undertakings in transactions of such nature, including the following:

- (i) change its issued share capital in any way (including the creation of new shares, the redemption or repurchase of shares or any reduction of capital) or grant any option or right to subscribe for any shares or other securities convertible into shares;
- (ii) change any rights attached to any of its shares;
- (iii) declare, pay or make any dividend or other distribution or capitalise any reserves;
- (iv) change its constitutional or governing documents;
- (v) pass any resolution of its shareholders or any class of its shareholders that is inconsistent with the purposes and objectives of SPA (SHS-Huadian);
- (vi) change its auditors, the date to which its annual accounts are prepared or its accounting principles, procedures or practices;
- (vii) enter into any kind of insolvency process or any arrangement with its creditors generally;
- (viii) undertake any merger, demerger or any other kind of business combination or reorganisation;
- (ix) acquire or dispose of:
  - a. any shares or any other interest in any company, business or partnership;
  - b. any real property or interest in real property;

- c. any intellectual property; or
- d. any other asset (except current assets in the ordinary course of business);
- (x) grant any interest in any real property or vary the terms of, or waive any rights under, any lease of real property;
- (xi) grant any interest in any intellectual property it owns (except in the ordinary course of business), or cancel or fail to renew any registration of any registered intellectual property it owns;
- (xii) create any encumbrance over any of its assets or undertaking (except in the ordinary course of business);
- (xiii) enter into, amend or terminate any agreement or arrangement with the Company Group (other than in the ordinary course of business on arm's length terms);
- (xiv) waive any amounts owed to it by, or any rights it has against, the Company Group;
- (xv) enter into, amend or terminate any joint venture or partnership arrangement;
- (xvi) enter into, amend or terminate any agreement, contract, instrument, invoice, purchaser order, warranty or legally binding commitment or undertaking of any nature to which any Group Company is a party or subject and under which such Group Company or any other person has a continuing right, obligation or liability except those relating to employment, insurance policies and leases or sub-leases for land and buildings owned or leased by any Group Company, other than for the purpose of fulfilling the Conditions;
- (xvii) incur any expenditure, make any payment or transfer any fund which, when aggregated with all expenditure incurred, payment made or fund transferred by it and all other Group Companies since the date of this agreement, exceeds US\$100,000;
- (xviii) incur any borrowings or make any loans (except for certain permitted exceptions);
- (xix) give any guarantee or indemnity in relation to the obligations or liabilities of any other person (except another Group Company);
- (xx) cancel or fail to renew any of its insurance policies or do or omit to do anything which would make any such policy void or voidable;
- (xxi) commence or settle any dispute or legal or arbitral proceedings involving an amount in excess of US\$100,000 (except when required by insurers), or waive any right in relation to any such dispute or proceedings;
- (xxii) appoint or remove any officer;
- (xxiii) engage, or (except for serious misconduct) dismiss or give notice of dismissal to, any employee (except as a result of any engagement or dismissal process that had commenced before the date of this agreement);

- (xxiv) make any changes to the terms and conditions of employment (including remuneration and benefits) of any of its officers or employees;
- (xxv) enter into, amend or terminate any collective agreements or other arrangements with any trade union, works council or other employees' representative body; or
- (xxvi) establish, participate in or contribute to any new pension scheme or grant any new retirement, death or disability benefit.

(c) **Pre-completion termination**

- (i) SPA (SHS-Huadian) shall terminate automatically at the Longstop Time if any Condition has not then been satisfied or waived (if permitted).
- (ii) CHDHK may terminate the SPA (SHS-Huadian) at any time before Completion by notice to the Company where:
  - a. there has been a material breach by the Company of any warranty, save for a breach of certain warranties relating to the Power Purchase Agreement and/or the Implementation Agreement;
  - b. (subject to the permitted actions stated in the SPA (SHS-Huadian)) there has been a material breach by the Company of the restrictions described in paragraphs 2.7(a) and (b) above;
  - c. if caused by wrongful act or omission of the Company, the Power Purchase Agreement, the Implementation Agreement and/or the guarantee entered into between HDFC and the People's Republic of Bangladesh (represented by the Ministry of Energy and Mineral Resources) dated 20 September 2018 relating to the Project, is terminated in accordance with their respective terms thereof;
  - d. if caused by wrongful act or omission of the Company, the GOB issues a GOB Notice of Default (as defined in the Implementation Agreement), or BPDB issues a BPDB Notice of Default (as defined in the Power Purchase Agreement), in either case not cured in accordance with the Implementation Agreement or the Power Purchase Agreement (as applicable) by the time immediately before the last Condition is fulfilled; or
  - e. any event or circumstance has occurred after the date of the SPA (SHS-Huadian) that has or could reasonably be expected to have a material adverse effect on the assets, liabilities, or financial condition of any Group Company in excess of US\$500,000 such that any of the investment conditions prescribed in the investment approval of CHD for the Project cannot be fulfilled as certified by an authorised representative of CHDHK, excluding where the Project is at least as economically viable in scale, complexity and value at the relevant time than other similar new solar power projects in Bangladesh, and further provided that the Purchaser has issued a notice to the Company requesting a good faith consultation meeting, and no mutual agreement has been reached by the parties in good faith as to the required remedial measures to address such material adverse

effect within one week from the date of the Company's receipt of such notice.

(d) **Consequences of Breach**

After Completion and subject to paragraph 2.7(e) below, without restricting the rights of CHDHK or the ability of CHDHK to claim damages on any basis available to it, if there is a breach of any warranty the Company shall, immediately on demand by CHDHK, pay to CHDHK an amount equal to:

- (i) any shortfall or diminution in the value of any asset of any Group Company from that which it would have been had the warranty not been breached, save that CHDHK shall not be entitled to make a claim under this clause for any breach of certain warranties related to the Power Purchase Agreement and/or the Implementation Agreement; and
- (ii) all costs and expenses (together with any GST/VAT and any applicable taxes on them) which may be reasonably incurred by the CHDHK Group as a result of or in connection with any breach of the warranty.

The Company and CHDHK agree that any payment made pursuant to this paragraph 2.7(d) shall be calculated without reference to the common law rules relating to claims for damages for breach of warranty.

(e) **Company's Undertakings/Indemnities**

- (i) The Company shall indemnify and keep CHDHK indemnified on an after-tax basis (if tax is payable by CHDHK on an amount received by it under this paragraph 2.7(e)) and hold CHDHK harmless from and in respect of:
  - a. any losses arising out of the ownership of Sinenergy Ninh Thuan Power Limited Liability Company and Solar NT Holdings Pte. Ltd., the NT Purchase Agreement and the POAs;
  - b. any losses arising out of the withdrawal and the discharge from the Financing Program for JCM Model Projects in FY2015 administered by the Global Environment Centre Foundation and the cancellation of any purchase orders related to the Panasonic Solar Module Purchase Agreement;
  - c. any losses arising out of the failure by any Group Company to pay up and discharge all of its outstanding liabilities arising before Completion under the Power Purchase Agreement and/or the Implementation Agreement;
  - d. any losses arising out of any resulting liability arising from the imposition of delay liquidated damages on HFDC as a result of the HFDC's failure to achieve Commercial Operations Date by the original Required Commercial Operations Date (as defined in the Power Purchase Agreement) of 18 April 2018, the first extended Required Commercial Operations Date (as defined in the Power Purchase

Agreement) of 31 October 2019 and the second extended Required Commercial Operations Date (as defined in the Power Purchase Agreement) of 30 June 2020;

- e. any losses arising out of any resulting liability arising from HDFC's failure to comply with the Implementation Agreement or the Power Purchase Agreement occurring before Completion including, but not limited, to any irregularities concerning HETAT being defined as the Lead Shareholder (each as defined in the Implementation Agreement) and any other matters relating to share transfer restrictions set out in the Implementation Agreement; and
- f. any losses arising out of any claims made by Pacific Consultants Co., Ltd or Swiss Re International SE against Sinenergy Holdings under an Agreement on Implementation of JCM Model Project dated 5 April 2017 and its corresponding performance bond.

(f) **Company's Restrictive and Positive Covenants**

(i) Names and goodwill

The Company shall not, and shall procure that the Company Group shall not, at any time after Completion, directly or indirectly:

- (a) use, in Bangladesh, any company or trading name, domain name, logo or trade or service mark (whether registered or unregistered) which includes the word "Sinenergy", or any word or device which is confusingly similar;
- (b) use, in Bangladesh, the word "HETAT", or any word or device which is confusingly similar, in the energy sector; or
- (c) do or say anything which is intended to damage the goodwill or reputation of any Group Company, or which is likely to lead any person to cease to do business with any Group Company on substantially equivalent terms to those previously offered, or not to engage in business with any Group Company.

(ii) Group's names and goodwill

CHDHK shall not, and shall procure that the CHDHK Group shall not, at any time after Completion, directly or indirectly do or say anything which is intended to damage the goodwill or reputation of any Company Group, or which is likely to lead any person to cease to do business with any Company Group on substantially equivalent terms to those previously offered, or not to engage in business with any Company Group.

(iii) Maintenance of Performance Security Deposit

Provided that Completion has occurred, the Company shall maintain the Performance Security Deposit (as defined in the Power Purchase Agreement)

until a date falling up to fourteen (14) days after the Completion Date, and CHDHK shall procure HDFC to fully indemnify and keep the Company fully indemnified on an after-tax basis (if tax is payable by the Company on any amount received by it under this covenant) and hold the Company harmless from and in respect of any losses arising out of such facilitation by the Company.

(iv) Particulars of Owned Property

The Company shall deliver to CHDHK, no later than the earlier of the Completion Date or thirty (30) days after the SPA (SHS-Huadian), brief particulars of the land and buildings owned by any Group Company in form reasonably satisfactory to CHDHK ("**Particulars of Owned Property**"). By the time CHDHK delivers the Particulars of Owned Property, if the Completion has not occurred and the Project Site purchased by HDFC has not been fully mutated into the name of HDFC at the office of Assistant Commissioner of Land, the Company shall deliver an update to the Particulars of Owned Property to CHDHK on the Completion Date, reflecting the updated status of the mutation of the land forming the Project Site<sup>1</sup> owned by any Group Company as of the Completion Date.

(v) Exclusivity

(a) The Company undertakes that, from the SPA (SHS-Huadian) until the earliest of the Longstop Time, the Completion Date or the date of termination of SPA (SHS-Huadian) (the "**Exclusivity Period**"), CHDHK has the exclusive right to acquire any of the Company's share or equity interest in the Group Companies and any material assets, rights, benefits or interests in the Project, and the Company shall not, and shall procure that its affiliates (including the Group Companies) will not, directly or indirectly,

(I) transfer, novate or dispose of any of:

(A) its share or equity interest (including any shares or equity interest in any Group Company), or

(B) any material assets, rights, benefits or interests,

in the Project owned directly or indirectly by it, to any entity or person other than CHDHK (the "**Disposal**");

(II) solicit proposals or offers from any entity or person other than CHDHK relating to or in respect of the Disposal; or

(III) consider, discuss, negotiate or accept any proposal or offer from any entity or person other than CHDHK relating to or in

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<sup>1</sup> The term "mutation" refers to the legal process of recording the new owner's name in the Khatiyani (the land records), who have become the owner of the land by way of transfer. The owner-on-record on the Khatiyani will be responsible for paying the relevant land taxes to the government. Updating of the Khatiyani does not confer title, but is used as evidence of present possession.

respect of the Disposal.

- (b) The Company shall procure that, during the Exclusivity Period, none of its directors, officers, employees or agents, and none of the directors, officers, employees or agents of its affiliates (including the Group Companies) (other than those appointed or nominated by IFDC or Ditrolic) will directly or indirectly do any of the things described in sub-paragraphs (a)(I) to (a)(III) above.

#### SPA (SIN-Ditrolic)

##### **(a) Call Option**

As a transitional arrangement in ensuring certainty of payment of the SPA (SIN-Ditrolic) Consideration to Sinenergy Holdings, Ditrolic had, in addition to entering a Declaration of Trust in paragraph 1.4 of this Announcement, granted Sinenergy Holdings a call option ("**Call Option**") under the SPA (SIN-Ditrolic).

In the event that the SPA (SIN-Ditrolic) Consideration is not fully paid to Sinenergy Holdings:

- (i) the last day of the Extended Payment Period; or
- (ii) where the SPA (SHS-Huadian) is terminated, the later to occur of:
  - (A) the date of termination of the SPA (SHS – Huadian); and
  - (B) the Commercial Operations Date,

Sinenergy Holdings shall have the right at any time thereafter to exercise the Call Option to require Ditrolic to sell all or part of the unpaid proportion (being the proportion (expressed as a percentage) borne by the amount of the SPA (SIN-Ditrolic) Consideration which remains unpaid at the relevant time to the total amount of the SPA (SIN-Ditrolic) Consideration) of the HDFC Sale Shares at the time of such exercise, up to the maximum number of shares which Ditrolic is permitted to transfer to Sinenergy Holdings set out in the Implementation Agreement, (the "**Repurchase Shares**"), free from all encumbrances, to Sinenergy Holdings or any of its designated nominees by issuing a Call Option exercise notice to Ditrolic (as prescribed in the SPA (SIN-Ditrolic), and Ditrolic shall transfer all (and not only part of) of the Repurchase Shares to Sinenergy Holdings at a price of US\$1.00, the receipt of which is hereby acknowledged by Ditrolic. The Call Option is exercisable more than once, provided that the Call Option shall cease to be exercisable once the unpaid proportion of the HDFC Sale Shares, which has not been sold to Sinenergy Holdings pursuant to an exercise of the Call Option, has been paid for in full on a *pro rata* basis. In addition, pursuant to the SPA (SIN-Ditrolic), the Call Option will be removed upon the occurrence of Sinenergy Holdings receiving certain documents as prescribed in the SPA (SIN-Ditrolic) and the date of completion of the Proposed Sinenergy Divestment, whichever is the later.

For the purposes of this Announcement:

"**Affiliate**" in relation to a company, means any other company directly or indirectly controlling, controlled by or under common control with such company, and "control" for these purposes

means (a) holding the majority of the voting rights or share capital of such company or (b) otherwise having the power to direct the management and policies of such company;

“**CHDHK Group**” means each or any of (a) CHDHK and any Affiliate of CHDHK for the time being, and (b) with effect from Completion, each Group Company (and any reference to “**member of the CHDHK Group**” or, in the case of any member of the CHDHK Group, to “**its group**” shall be construed accordingly);

“**Company Group**” means each or any of the Company and any Affiliate of the Company for the time being, excluding each Group Company (and any reference to “**member of the Company Group**” or, in the case of any member of the Company Group, to “**its group**” shall be construed accordingly); and

“**Extended Payment Period**” means the period of six (6) months starting from the earlier to occur of:

- (i) the Completion Date; and
- (ii) the Commercial Operations Date.

### 3. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL IN RELATION TO THE PROPOSED SALES

3.1 For the purposes of Chapter 10 of the Listing Manual, the relative figures computed on the bases set out in Rule 1006 of the Listing Manual based on the latest announced unaudited consolidated financial statements of the Group for the financial period ended 30 June 2020 (“**1H2020**”) are set out below:

BASE OF CALCULATION		RELATIVE FIGURES (%)
(a)	Net asset value (“ <b>NAV</b> ”) of the Sale Shares to be disposed of, compared with the Group’s NAV	14.13% <sup>(1)</sup>
(b)	Net profits <sup>(2)</sup> attributable to the Sale Shares to be disposed of, compared with the Group’s net profits	(13.34)% <sup>(3)</sup>
(c)	Aggregate value of the consideration received <sup>(6)</sup> , compared with the Company’s market capitalisation <sup>(4)</sup> of S\$111,671,025 <sup>(5)</sup> based on the total number of issued shares excluding treasury shares	20.13%
(d)	Number of equity securities to be issued by the Company as consideration for an acquisition, compared with the number of equity securities of the Company previously in issue	Not applicable

(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil or gas company, but not to an acquisition of such assets	Not applicable
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**Notes:**

- (1) Based on the NAV of the Sale Shares, being approximately S\$22,314,000 as at 30 June 2020, compared with the Group's NAV, being approximately S\$157,948,000 as at 30 June 2020, based on the latest announced consolidated accounts of the Group for 1H2020. No valuation of the Sale Shares was commissioned for the purpose of the Proposed Sales.
- (2) Under Rule 1002(3)(b) of the Listing Manual, "**net profits**" means profit or loss before income tax, minority interests and extraordinary items.
- (3) The net profits attributable to the Sale Shares for the purposes of this calculation is S\$407,000, computed based on the unaudited net profits of Sinenergy Holdings for 1H2020. The Group's unaudited net loss for 1H2020 was S\$3,051,000.
- (4) Under Rule 1002(5) of the Listing Manual, "**market capitalisation**" is determined by multiplying the number of Shares in issue by the weighted average price of Shares transacted on the market day preceding the date of the SPAs.
- (5) The Company's market capitalisation is computed based on the number of issued Shares on 26 October 2020 of 685,098,312 Shares, and the weighted average price of Shares transacted on 26 October 2020 of S\$0.163 per Share, at an exchange rate of US\$1 : S\$1.36.
- (6) Based on the Base Consideration of US\$16,532,000 (approximately S\$22,484,000, based on an exchange rate of US\$1 : SG\$ 1.36 as at 27 October 2020).

3.2 As:

- (a) the relative figure under Rule 1006(b) is a negative figure and the situations within paragraphs 4.3 and 4.4 of Practice Note 10.1 of the Listing Manual do not apply to the Proposed Sales; and
- (b) the relative figure under Rule 1006(c) of the Listing Manual exceeds 20%,

pursuant to Rule 1014 and paragraph 4.6 of Practice Note 10.1 of the Listing Manual, the Proposed Sales constitute a "major transaction" under Rule 1014 in Chapter 10 of the Listing Manual and is therefore subject to Shareholders' approval in a EGM.

**4. RATIONALE AND BENEFITS OF THE PROPOSED SALES**

The Proposed Sales were made pursuant to an offer to purchase received by the Group from the Purchasers. The Board, after careful consideration, is of the view that it is in the best

interests of the Group to undertake the Proposed Sales for the following reasons:

- (a) The Solar Power Plant was originally slated for completion on 18 April 2018. However, the progress of the Project was substantially delayed due to outstanding land issues, regulatory approvals, delay in obtaining financing and inclement weather conditions, as disclosed in the Company's previous announcements dated 23 October 2018, 26 December 2018 and 20 February 2019. Although HDFC was able to obtain extensions to the Commercial Operations Date, liquidated damages were, and will continue to be, imposed for failure to achieve the Commercial Operations Date and any extended Commercial Operations Date.
- (b) Notwithstanding the commencement of work on the Project as disclosed in the Company's previous announcements dated 31 October 2019 and 22 January 2020, given the Project's high capital and cost intensive nature, in the absence of a secured source of external financing, the Group is concerned that it might face further difficulties, in addition to those disclosed in paragraph 4(a) above, in continuing to support the construction, operation and growth of the Project. The Proposed Sales would minimise loss of the Group's entire investment on the Project and/or represent an opportunity for the Group to realise the value of the Sale Shares to a ready and willing buyer, in a time and cost-efficient manner, notwithstanding that this may be below the book value of the Sale Shares (please refer to paragraph 6.2 below for further details);
- (c) the Group had previously approached several prospective parties (including the Purchasers) with regards to the proposed divestment of its equity interest in the Project. However, given that the activities of the Project are specialised and limited to a specific geographical market, the Group was unable to proceed with any meaningful or serious discussions with the other parties either due to a lack of interest or comparatively unattractive proposals. Accordingly, the Board decided to proceed with the Proposed Sales with the Purchasers after considering all other alternative proposals or divestment options available to the Group in relation to its equity interest in the Project;
- (d) as at the date of the Announcement, save for the offer from the Purchasers, the Board has not received any other firm or formal offer for its equity interest in the Project, which is comparable in nature, size and scope to the Proposed Sales. Accordingly, the Board decided to proceed with the Proposed Sales with the Purchasers after considering all other alternative proposals or divestment options available to the Group in relation to its equity interest in the Project; and
- (e) the Proposed Sales present a good opportunity for the Group to realise cash flow for its other businesses. The net sale proceeds can then be utilised for the purposes set out in paragraph 5 below. With the Proposed Sales, management can also better focus its time and attention on its other businesses and exploring other investment opportunities for the Group.

The Board is of the view that the Proposed Sales will not have any material effect on the Group's remaining and future business operations.

After taking into account the above, the Board after careful consideration is of the view that the Base Consideration is fair and reasonable and that the Proposed Sales are in the best interests

of the Group.

## **5. INTENDED USE OF PROCEEDS FROM THE PROPOSED SALES**

The Company expects to receive net proceeds of approximately S\$20,058,000<sup>(1)</sup> (after deducting all costs and expenses) from the Proposed Sales.

The net proceeds will be used for working capital and/or business expansions of the Group as the Group may deem fit in its absolute discretion.

**Note:**

(1) Based on the Base Consideration of US\$16,532,000 (approximately S\$22,484,000, based on an exchange rate of US\$1 : SG\$ 1.36 as at 27 October 2020).

## **6. FINANCIAL INFORMATION**

### **6.1 Value Attributable to the Sale Shares**

(a) Book Value

Based on the Group's unaudited consolidated financial statements of the Group for 1H2020, the book value attributable to the Sale Shares as at 30 June 2020 is approximately S\$22,314,000.

(b) NTA

Based on the Group's unaudited consolidated financial statements of the Group for 1H2020, the NTA attributable to the Sale Shares as at 30 June 2020 is approximately S\$22,314,000.

(c) Latest Available Open Market Value

The open market value of the Sale Shares is not available as the Sale Shares are not listed or traded on any securities exchange. No valuation of the Sale Shares was commissioned for the purpose of the Proposed Sales.

### **6.2 Deficit of Proceeds over the Book Value**

Based on the Group's unaudited consolidated financial statements for 1H2020, Completion is expected to result in an accounting book loss of approximately S\$2,257,000 to the Group.

## **7. FINANCIAL EFFECTS OF THE PROPOSED SALES**

The financial effects of the Proposed Sales on the Group are set out below. The financial effects are shown for illustrative purposes only and they do not necessarily reflect the exact future financial position and performance of the Group immediately after Completion. The financial effects set out below have been calculated using the audited consolidated financial statements of the Group for FY2019.

## Share Capital

As the Proposed Sales do not involve the issue and allotment of any new Shares, the Proposed Sales will not have any impact on the Share capital of the Company.

## NTA

Assuming that the Proposed Sales had been completed on 31 December 2019, the effect of the Proposed Sales on the NTA per Share of the Company for FY2019 is as follows:

	<b>Before the Proposed Sales</b>	<b>After the Proposed Sales</b>
NTA (S\$'000)	143,986	141,729
Number of Shares ('000)	685,148	685,148
NTA per Share (S\$ cents)	21.02	20.69

## Earnings per Share ("EPS")

Assuming that the Proposed Sales had been completed on 1 January 2019, the effect of the Proposed Sales on the EPS of the Company for FY2019 is as follows<sup>(1)</sup>:

	<b>Before the Proposed Sales</b>	<b>After the Proposed Sales</b>
(loss)/profit after tax (S\$'000)	(25,391)	(27,648)
Weighted average number of Shares ('000)	685,129	685,129
EPS (S\$ cents)	(3.71)	(4.04)

### **Note:**

(1) Computed based on an exchange rate of US\$1 : SG\$1.36 as at 27 October 2020.

## **8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

Oh Eng Bin, Kenneth, an Independent Non-Executive Director of the Company, is a Senior Partner at the law firm of Dentons Rodyk & Davidson LLP ("**Dentons**"). A legal team from Dentons led by another Senior Partner thereof is advising the Company as to Singapore law in relation to the Proposed Sales.

Save as disclosed herein, none of the Directors nor, to the best of the Directors' knowledge, any of the substantial Shareholders, has any interest, whether direct or indirect, in the Proposed Sales or the Purchasers, other than through their respective shareholdings in the Company (if any).

**9. SERVICE CONTRACTS**

No person is proposed to be appointed as a Director of the Company in connection with the Proposed Sales. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the SPA (SHS-Huadian), SPA (SIN-Ditrolic), the Declaration of Trust, the Assignment Deed and the Funds Flow Deed are available for inspection at the Company's registered office at 19 Tuas Avenue 20, Singapore 638830 during normal business hours for a period of three (3) months from the date of this Announcement.

In light of the prevailing safe distancing measures due to the Covid-19 situation, Shareholders should provide their names, contact number, proposed date and time of inspection to the Group Chief Financial officer, Wong Tat Yang at +65 6351 8587 at least three (3) working days' in advance to make a prior appointment to attend at the registered office of the Company to inspect the documents.

**11. EGM AND CIRCULAR TO SHAREHOLDERS**

The Company will convene as EGM to seek the approval of the Shareholders for the Proposed Sales and a circular containing, *inter alia*, details thereof, together with the opinions and recommendations of the Directors in relation thereto and enclosing the notice of EGM in connection therewith, will be dispatched to the Shareholders in due course.

**12. CAUTIONARY STATEMENT**

Shareholders and potential investors are advised to exercise caution when dealing or trading in their Shares. Completion is subject to certain conditions. There is no certainty or assurance as at the date of this Announcement that the Proposed Sales will be completed or that no changes will be made to the terms thereof.

The Company will make the necessary announcements when there are further material developments in relation thereto. Shareholders and potential investors are advised to read this Announcement and any further announcements by the Company carefully. Shareholders and potential advisers should consult their stock brokers, bank managers, solicitors, accountants, tax advisers or other professional advisers if they have any doubt about the actions they should take.

**By Order of the Board**

Ng Han Kok, Henry  
Executive Director and Group CEO  
29 October 2020