

CIRCULAR DATED 12 APRIL 2016

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Circular is issued by SHS Holdings Ltd. (the “Company”, and with its subsidiaries, the “Group”). If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company held through The Central Depository (Pte) Limited (“CDP”), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your shares represented by physical share certificate(s), you should at once hand this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (the “SGX-ST”) assumes no responsibility for the accuracy of any of the statements made, opinion expressed or reports contained in this Circular.

YOUR ATTENTION IS DRAWN TO SECTION 2.7 ENTITLED “RISK FACTORS RELATING TO THE PROPOSED SOLAR PROJECT” AND SECTION 3.5 ENTITLED “RISK FACTORS RELATING TO THE SOLAR POWER BUSINESS” WHICH YOU SHOULD REVIEW CAREFULLY AND COLLECTIVELY.



SHS HOLDINGS LTD.

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

CIRCULAR TO SHAREHOLDERS

In relation to

- (A) THE PROPOSED DESIGN, CONSTRUCTION, OPERATION AND MAINTENANCE OF A SOLAR POWER PLANT OF 50MW CAPACITY TO BE OWNED BY HDFC SINPOWER LIMITED, A SUBSIDIARY OF THE COMPANY, AT SUTIAKHALI, MYMENSINGH DISTRICT, BANGLADESH**
- (B) THE PROPOSED DIVERSIFICATION OF THE CORE BUSINESSES OF THE GROUP TO INCLUDE THE SOLAR POWER BUSINESS**

IMPORTANT DATES AND TIMES

- Last date and time for lodgement of Proxy Form : 26 April 2016 at 11.00 a.m.
- Date and time of Extraordinary General Meeting : 28 April 2016 at 11.00 a.m. (or immediately after the conclusion of an annual general meeting of the Company to be held on the same date at 10.00 a.m. prior to the Extraordinary General Meeting)
- Place of Extraordinary General Meeting : 81 Tuas South Street 5 Singapore 637651

TABLE OF CONTENTS

DEFINITIONS	2
1. INTRODUCTION	7
2. THE PROPOSED SOLAR PROJECT	8
3. THE PROPOSED DIVERSIFICATION OF CORE BUSINESSES OF THE GROUP TO INCLUDE THE SOLAR POWER BUSINESS	17
4. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS	34
5. EXTRAORDINARY GENERAL MEETING	34
6. ACTION TO BE TAKEN BY SHAREHOLDERS	35
7. DIRECTORS' RECOMMENDATION	35
8. DIRECTORS' RESPONSIBILITY STATEMENT	35
9. DOCUMENTS AVAILABLE FOR INSPECTION	35
NOTICE OF EXTRAORDINARY GENERAL MEETING	36
PROXY FORM	

DEFINITIONS

For the purpose of this circular, the following definitions apply throughout unless the context otherwise requires or otherwise stated:

“Aggregated Transactions”	:	Several transactions aggregated
“Back Stop Date”	:	19 January 2016
“Board” or “Directors”	:	The directors of the Company as at the date of this Circular
“BPDB”	:	Bangladesh Power Development Board, a statutory body responsible for the generation and distribution of electricity mainly in urban areas of Bangladesh
“capacity charge”	:	A minimum charge that is typically imposed by power suppliers for committing to a certain level of capacity to meet the consumer’s demand for energy, and is chargeable whether or not the power supplier is called upon to deliver it
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 12 April 2016
“Companies Act”	:	The Companies Act (Chapter 50) of Singapore
“Company”	:	SHS Holdings Ltd. (formerly known as See Hup Seng Limited)
“CPF”	:	Central Provident Fund
“Ditrollic”	:	Ditrollic (S) Pte. Ltd., a company incorporated in Singapore
“EGM”	:	The extraordinary general meeting of Shareholders to be held on 28 April 2016, notice of which is set out on page 36 of this Circular
“Electricity Act”	:	The Electricity Act (Chapter 89A) of Singapore
“EPC”	:	Engineering, procurement and construction
“Existing Core Businesses”	:	The Group’s existing core businesses, which are currently undertaken by the Company and its wholly owned subsidiaries, are as follows: (a) design, engineering and construction of integrated structures created from steel, aluminum and glass materials which is undertaken by Hetat Holdings and its subsidiaries; and (b) provision of corrosion prevention services to the marine, oil and gas, construction and infrastructure industries which is undertaken by See Hup Seng CP Pte. Ltd. and its subsidiaries
“First Major Transaction”	:	The first Major Transaction

DEFINITIONS

“First Project”	:	The project for the installation of up to 4MW rooftop solar power system awarded by a Singapore government – linked company to Sinenergy Holdings on 18 February 2016
“FY”	:	Financial year ended, or ending, as the case may be, on 31 December
“Group”	:	The Company and its subsidiaries
“HDFC”	:	HDFC SinPower Limited, a company incorporated in Bangladesh by Sinenergy Holdings, Ditrolic and IFDC to carry out the Proposed Solar Project
“Hetat Bank Guarantee”	:	A bank guarantee provided to BPDB by Hetat Holdings
“Hetat Holdings”	:	Hetat Holdings Pte. Ltd.
“IFDC”	:	IFDC Solar Power (BD) Ltd., a company incorporated in Bangladesh
“Implementation Agreement”	:	An implementation agreement to be entered into between HDFC and MPEMR
“Large Scale Project”	:	Solar power projects with a maximum capacity of 1MW and above are considered large scale projects
“Latest Practicable Date”	:	31 March 2016, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The Listing Manual of the SGX-ST
“LOI”	:	The letter of intent dated 21 December 2015 issued by the BPDB and accepted on 30 December 2015 by Hetat Holdings, Ditrolic and IFDC in respect of the Proposed Solar Project
“Major Transaction”	:	A transaction where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeds 20%
“Minimum Threshold”	:	A minimum amount of electric power to be supplied to BPDB by SPV
“MPEMR”	:	The Power Division, Ministry of Power, Energy and Mineral Resources, Bangladesh
“Notice of EGM”	:	The notice of the EGM as set out on page 36 of this Circular.
“Notification”	:	Notification to Ditrolic by Hetat Holdings of failure to obtain approval for the Proposed Solar Project
“PPA”	:	A power purchase agreement to be entered into between HDFC and BPDB

DEFINITIONS

“Proposal Security”	:	A sum of US\$250,000 as a security fee provided by Hetat Holdings to the BPDB in accordance with the LOI
“Proposed Diversification”	:	The proposed diversification of the Group’s Existing Core Businesses to include the Solar Power Business
“Proposed Solar Project”	:	The proposed design, construction, operation and maintenance of the Solar Power Plant which is to be owned by HDFC, a subsidiary of the Company
“Proxy Form”	:	Has the meaning ascribed to it in Section 6 of this Circular
“RP Business”	:	The business of distributing refined petroleum products, which was undertaken by TAT Petroleum Pte Ltd and its subsidiaries, and Axxmo International Pte Ltd, the entire issued and paid up share capital of which were both disposed by the Company on 31 December 2015
“Securities Account”	:	Securities account maintained by a Depositor with CDP (but does not include a sub-securities account maintained with a Depository Agent)
“Securities and Futures Act”	:	The Securities and Futures Act (Chapter 289) of Singapore
“Security Deposit”	:	A sum of US\$900,000 as a security deposit to be provided by the SPV to the BPDB in accordance with the LOI
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	Registered holders of Shares in the Register of Members of the Company, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context admits, mean the Depositors whose Securities Accounts are credited with such Shares
“Shares”	:	Ordinary shares in the share capital of the Company
“Sinenergy”	:	Sinenergy Pte. Ltd.
“Sinenergy Holdings”	:	Sinenergy Holdings Pte. Ltd.
“Small Scale Project”	:	Solar power projects with a maximum capacity of less than 1MW are considered small scale projects

DEFINITIONS

“Solar Power Business”	:	The solar power business, which comprises the: (a) EPC of solar power systems for third parties; (b) leasing of solar power systems that the Group owns to third parties; (c) EPC of solar power systems for the sale of electric power produced by such solar power systems owned by the Group; (d) acquisition of solar power systems from third parties for the Group’s operations for the sale of electric power produced by such solar power systems owned by the Group; and (e) sale of electric power produced by solar power systems owned by the Group
“Solar Power Plant”	:	The proposed solar power plant of 50MW capacity at Sutiakhali, Mymensingh District, Bangladesh
“SPV”	:	A special purpose vehicle to be incorporated in Bangladesh under the LOI to carry out the Proposed Solar Project
“Undertaking”	:	The deed of undertaking dated 30 December 2015 between Hetat Holdings and Ditrolic in connection with the Proposed Solar Project, pursuant to which Ditrolic agrees to, among others, replace Hetat Holdings’ role in the Proposed Solar Project, the PPA and the Implementation Agreement in the event that approval by the Shareholders for the Proposed Solar Project is not obtained at the EGM

Currencies, units and denominations

“%” or “per cent.”	:	Percentage or per centum
“kVA”	:	Kilovolt-ampere
“kW”	:	Kilowatt
“MW”	:	Megawatt
“BDT”	:	Bangladesh Taka
“S\$” and “cents”	:	Singapore dollars and cents, respectively
“sq m”	:	Square metre
“US\$”	:	United States dollars

DEFINITIONS

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the same meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.

The term “**subsidiary**” shall have the meaning ascribed to it in Section 5 of the Companies Act.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter gender and *vice versa*. References to persons shall, where applicable, include corporations.

The words “**written**” and “**in writing**” include any means of visible reproduction.

Any reference in this Circular to any enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any term defined under the Companies Act, the Securities and Futures Act or the Listing Manual or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the Securities and Futures Act or the Listing Manual or any statutory modification thereof, as the case may be, unless otherwise provided.

Any discrepancies in tables included herein between the amounts in the columns of the tables and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them. Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders and investors should not place undue reliance on such forward-looking statements, and the Company does not undertake any obligation to update publicly or revise any forward-looking statements.

LETTER TO SHAREHOLDERS

SHS HOLDINGS LTD.

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

Directors:

Chew Hoe Soon (*Non-Executive and Non-Independent Chairman*)
Ng Han Kok, Henry (*Executive Director and Group CEO*)
Lim Siok Kwee, Thomas (*Executive Director and
CEO Corrosion Prevention Services*)
Goh Koon Seng (*Executive Director and Group CFO*)
Oh Eng Bin, Kenneth (*Independent Non-Executive Director*)
Lee Kuo Chuen, David (*Independent Non-Executive Director*)
Lee Gee Aik (*Independent Non-Executive Director*)

Registered Office:

81 Tuas South Street 5
Singapore 637651

12 April 2016

To: The Shareholders of Company

Dear Sir/Madam

- (A) THE PROPOSED DESIGN, CONSTRUCTION, OPERATION AND MAINTENANCE OF A SOLAR POWER PLANT OF 50MW CAPACITY TO BE OWNED BY HDFC SINPOWER LIMITED, A SUBSIDIARY OF THE COMPANY, AT SUTIAKHALI, MYMENSINGH DISTRICT, BANGLADESH**
- (B) THE PROPOSED DIVERSIFICATION OF THE EXISTING CORE BUSINESSES OF THE GROUP TO INCLUDE THE SOLAR POWER BUSINESS**

1. INTRODUCTION

1.1. On 30 December 2015, the Company announced that the Group intends to:

- (i) undertake the proposed design, construction, operation and maintenance of a solar power plant of 50MW capacity ("**Solar Power Plant**") at Sutiakhali, Mymensingh District, Bangladesh (the "**Proposed Solar Project**") and in furtherance of the undertaking of the Proposed Solar Project has accepted the LOI and executed the Undertaking; and
- (ii) diversify the Group's Existing Core Businesses (as defined below) to include the Solar Power Business (as defined below) ("**Proposed Diversification**").

For further details of the Solar Power Business, please refer to Section 3.2 entitled "The Proposed Diversification" of this Circular.

- 1.2. Each of the undertaking of the Proposed Solar Project and the Proposed Diversification is likely to change the risk profile of the Group and shall be conditional upon the approval of the Shareholders being obtained at the EGM.
- 1.3. The purpose of this Circular is to provide Shareholders with information relating to, and to seek Shareholders' approval for, the Proposed Solar Project and the Proposed Diversification at the forthcoming EGM.

LETTER TO SHAREHOLDERS

2. THE PROPOSED SOLAR PROJECT

2.1 The Proposed Solar Project

The Proposed Solar Project is a solar power project with a maximum capacity of 1MW and above (“**Large Scale Project**”) identified by the Group and is intended to be undertaken by Sinenergy Holdings Pte. Ltd., a wholly owned subsidiary of the Company (“**Sinenergy Holdings**”) together with Ditrollic (S) Pte. Ltd. (“**Ditrollic**”) and IFDC Solar Power (BD) Ltd. (“**IFDC**”) via HDFC SinPower Limited (“**HDFC**”), a Bangladesh incorporated special purpose vehicle, of which 65%, 20% and 15% is held by Sinenergy Holdings, Ditrollic and IFDC respectively. HDFC, a subsidiary of the Company, will own, design, construct, operate and maintain the Solar Power Plant. For cost efficiencies, it is anticipated that HDFC shall engage third party contractors to assist in the construction of the Solar Power Plant, with the management team of HDFC to play a supervisory role. HDFC may engage third party contractors to assist in the operation and maintenance of the Solar Power Plant, with HDFC’s management team to closely monitor the work of such third party contractors, if there are significant cost savings.

The project cost of designing and constructing the Solar Power Plant is anticipated to be approximately US\$70 million to US\$80 million. The Group anticipates that HDFC shall seek funding from financial institutions for approximately 70% of such project cost, with the balance to be financed through internal resources of HDFC, which shall comprise the equity contributions of US\$5 million from Sinenergy Holdings, Ditrollic and IFDC (which are contributed on a pro rata basis in accordance with their shareholdings in HDFC), and shareholder loans of up to US\$14 million and US\$5 million from Sinenergy Holdings and Ditrollic respectively. The maintenance cost of the Solar Power Plant (which includes insurance, security, general maintenance and parts replacements) is anticipated to be approximately US\$500,000 per year. Based on the revenue to be derived from the Minimum Threshold (as defined in Section 2.2(b)(i)(A)(bb) below), (a) the Proposed Solar Project is anticipated to be profitable; and (b) such revenue would be sufficient to finance the annual maintenance cost. To the extent that a corporate guarantee by the Company is required by such financial institution(s) as security for such funding, the exposure of the Group will be up to the entire amount of such financing extended by such financial institution(s) to HDFC. For further details, please refer to Section 2.7 entitled “Risk Factors relating to the Proposed Solar Project” of this Circular.

The Group intends to hire qualified staff to manage the Proposed Solar Project, with such qualified staff to be managed and supervised by Mr Chua Kok Keong (“**Mr Chua**”) and Mr Lee Kok Leong (“**Mr Lee**”), each of whom has nearly two (2) decades of electrical engineering experience and will be the main drivers of the Solar Power Business. For further details on Mr Chua and Mr Lee, please refer to Section 3.6 entitled “Management” of this Circular.

The anticipated project cost for designing and constructing the Solar Power Plant, being US\$70 million to US\$80 million (S\$94.5 million to S\$108.0 million, based on an exchange rate of US\$1:S\$1.35) is approximately 53.64% to 61.37% of the market capitalisation of the Company as at the Latest Practicable Date, being S\$176.0 million.

As it is envisaged that the undertaking of the Proposed Solar Project is likely to change the risk profile of the Group, such undertaking of the Proposed Solar Project by the Group shall be conditional upon the approval of the Proposed Solar Project by the Shareholders at the EGM.

LETTER TO SHAREHOLDERS

2.2 LOI in respect of the Proposed Solar Project

On 30 December 2015, the Company announced that Hetat Holdings Pte. Ltd. ("**Hetat Holdings**"), its wholly owned subsidiary, had on 30 December 2015 accepted a letter of intent dated 21 December 2015 ("**LOI**") issued by the Bangladesh Power Development Board ("**BPDB**") to Hetat Holdings, Ditrolic and IFDC in relation to the Proposed Solar Project. On 22 February 2016, Hetat Holdings, Ditrolic and IFDC had written to BPDB to request that Sinenergy Holdings, a wholly owned subsidiary of the Company, replace Hetat Holdings as a party to the LOI.

The salient terms of the LOI are as follows:

- (a) the Proposed Solar Project is to be carried out by a company to be incorporated in Bangladesh ("**SPV**") by Hetat Holdings, Ditrolic and IFDC;
- (b) the SPV, when incorporated, shall on or before 19 January 2016 ("**Back Stop Date**"):
 - (i) enter into:
 - (A) a power purchase agreement ("**PPA**") with BPDB pursuant to which:
 - (aa) BPDB shall purchase electric power generated by the Solar Power Plant from the SPV on the basis that BPDB shall pay a fixed tariff for all electric power purchased, without any capacity charge, at a rate of US\$0.17/kWh for a period of 20 years;
 - (bb) the SPV shall supply at least a minimum amount of electric power ("**Minimum Threshold**") to BPDB, failing which there shall be a penalty charge⁽¹⁾ payable by the SPV to BPDB; and
 - (cc) BPDB shall purchase the Minimum Threshold from the SPV, failing which there shall be a penalty charge⁽¹⁾ payable by BPDB to the SPV; and
 - Note:**
 - (1) The penalty charge payable by the SPV and BPDB depends on the extent to which the amount of energy supplied and purchased by each of them respectively is lower than the Minimum Threshold. On the other hand, capacity charge is independent of the amount of power produced from a conventional power plant and is typically charged by power suppliers for committing to a certain level of capacity to meet the consumer's demand for energy, and chargeable whether or not the power supplier is called to deliver it.
 - (B) an implementation agreement ("**Implementation Agreement**") with the Power Division, Ministry of Power, Energy and Mineral Resources ("**MPEMR**") pursuant to which the SPV shall construct the Solar Power Plant within 18 months from the later of date of execution of the Implementation Agreement and the PPA; and
- (ii) provide a security deposit for the amount of US\$900,000 ("**Security Deposit**") to BPDB no later than two (2) days prior to the date of execution of the PPA and the Implementation Agreement;

LETTER TO SHAREHOLDERS

- (c) Hetat Holdings, Ditrolic and IFDC are to provide a sum of US\$250,000 (“**Proposal Security**”) as a security fee to BPDB, and such sum has been paid to BPDB by Hetat Holdings in the form of a bank guarantee (“**Hetat Bank Guarantee**”); and
- (d) BPDB has the right to terminate the LOI and forfeit the Proposal Security in the event that:
 - (i) the SPV fails to provide the Security Deposit to BPDB no later than two (2) days prior to the date of execution of the PPA and the Implementation Agreement; and
 - (ii) the duly executed PPA and the Implementation Agreement are not furnished to BPDB on or before the Back Stop Date.

The Security Deposit shall be paid by HDFC to BPDB in the form of a bank guarantee no later than two (2) days prior to the date of execution of the PPA and the Implementation Agreement, such bank guarantee to be backed by a corporate guarantee provided by the Company to the financial institution issuing such bank guarantee.

Separately, the Proposal Security will be discharged upon the execution of the PPA and the Implementation Agreement.

2.3 Undertaking in respect of the Proposed Solar Project

On 30 December 2015, the Company also announced that Hetat Holdings had entered into a deed of undertaking dated 30 December 2015 with Ditrolic (“**Undertaking**”) in connection with the Proposed Solar Project. Pursuant to the Undertaking, in the event that the approval of the Shareholders for the Proposed Solar Project is not obtained at the EGM, Ditrolic agrees to, upon notification by Hetat Holdings of such failure to obtain such approval for the Proposed Solar Project (“**Notification**”):

- (a) replace Hetat Holdings’ role in the Proposed Solar Project, the PPA and the Implementation Agreement by taking over all (and not part only) of Hetat Holdings’ rights and obligations in connection with the Proposed Solar Project, including such rights and obligations under the shareholders’ agreement (if any) (“**SHA**”) between Hetat Holdings, Ditrolic and IFDC, the PPA and the Implementation Agreement;
- (b) procure a bank guarantee of an amount equivalent to the Proposal Security to replace the Hetat Bank Guarantee;
- (c) use best endeavours to ensure that the Hetat Bank Guarantee is cancelled;
- (d) release and discharge Hetat Holdings from all its undertakings, obligations and liabilities under or pursuant to and from all claims and demands whatsoever under or in respect of the Proposed Solar Project, the SHA, the PPA and the Implementation Agreement, including but not limited to the LOI and the acceptance of the LOI, except for any liability directly resulting from Hetat Holdings’ breach which at the date of such Notification has already accrued, or which thereafter may accrue as a direct result of breaches by Hetat Holdings occurring prior to the date of such Notification; and

LETTER TO SHAREHOLDERS

- (e) within two (2) calendar months of demand, fully indemnify Hetat Holdings against any cost (including legal fees on a full indemnity basis), loss or liability incurred by Hetat Holdings as a direct result of BPDB making a demand under the Hetat Bank Guarantee prior to the approval of the Shareholders for the Proposed Solar Project having been obtained, up to an aggregate maximum amount of US\$250,000.

2.4 Permits, Licences and Approvals for the Proposed Solar Project

In respect of the Proposed Solar Project, which is proposed to be undertaken in Sutiakhali, Mymensingh District, Bangladesh, the material licences and permits to be obtained by HDFC are as follows:

Licence/Permit	Purpose	Awarding Authority
No Objection Certificate in respect of the relevant project	General clearance to proceed with the Proposed Solar Project	Union Parishad and Thana Parishad of Sutiakhali, Mymensingh District, Bangladesh ⁽¹⁾
Civil Works Licence	Required for construction of the Solar Power Plant	Department of Environment of Bangladesh
Environmental Impact Assessment Approval	Required for construction of the Solar Power Plant	Department of Environment of Bangladesh
Environmental Clearance Certificate	Required for construction of the Solar Power Plant	Department of Environment of Bangladesh
Power Generation and Supply Licence	Required for the operation and sale of electric power generated by the Solar Power Plant	Office of the Electrical Adviser and Chief Electric Inspector, the Energy Regulatory Commission and the MPEMR

Note:

- (1) Union Parishads and Thana Parishads are local government units that administer their respective districts in Bangladesh.

As the Proposed Solar Project shall commence only after approval of the Shareholders for the Proposed Solar Project has been obtained, HDFC has not obtained any of the material licences and permits required for the Proposed Solar Project. Upon commencement of the Proposed Solar Project, HDFC shall apply for the necessary licences and permits at each relevant juncture of the Proposed Solar Project, for example, the Civil Works Licence shall be obtained when construction of the Solar Power Plant is to take place.

2.5 Information on Ditrolc and IFDC

The Group is undertaking the Proposed Solar Project with Ditrolc and IFDC, both of which would have the relevant experience to assist the Group in the Proposed Solar Project and build the Group's expertise and capabilities in this field.

LETTER TO SHAREHOLDERS

Ditrolic

Ditrolic is one of the leading full-service providers of solar power systems for residential, commercial and industrial projects in South East Asia. Ditrolic is an existing business partner of the Group, being a 20.1% shareholder in Sinenergy Pte. Ltd. ("**Sinenergy**"), a subsidiary of the Group which is 60% held by Hetat Holdings. Sinenergy was incorporated in January 2015 to engage in the business of installing mechanical and electrical works (including solar panels).

Ditrolic was incorporated in 1991 and has been providing solar power system design, consultation, installation and monitoring services since 2009 and has as at 2015 installed 20 MW of solar power systems and is, to the best of the Directors' knowledge, one of the largest solar power system providers (by installed capacity) in the region of South East Asia (excluding Thailand).

Recent notable projects undertaken by Ditrolic include the design, consultation, installation and monitoring of the following:

- (a) 1.4MW rooftop solar power system for First Engineering Plastic in Senai, Malaysia in November 2012, which was the largest rooftop solar power system in Malaysia at the time;
- (b) 200kW rooftop solar power system for Panasonic Energy Malaysia for their solar module factory in Kulim, Malaysia in April 2013, such factory being the largest solar factory outside of Japan;
- (c) 200kW rooftop solar power system for ISE Foods Singapore Pte Ltd for their factory in Tuas, Singapore in December 2013;
- (d) 3.3MW ground mounted solar power system in Negeri Sembilan, Malaysia in 2013; and
- (e) 400kW rooftop solar power system for Mitsutoyo Electronics Industries Sdn Bhd for their factory in Ledang, Malaysia in 2014.

Tham Chee Aun beneficially owns 100% of the shareholdings of Ditrolic. He is the chief executive officer of Ditrolic and is in charge of the overall management and operations of Ditrolic. He has 13 years of experience in the electrical engineering industry and spearheaded Ditrolic's foray into the solar power business.

IFDC

IFDC was established in 2015 for the purpose of engaging in the business of constructing, operating, managing and maintaining power plants and power grid stations and the supply of renewable energy.

IFDC was introduced to the Group by Ditrolic for the purposes of the Proposed Solar Project for their:

- (a) experience in engineering and construction projects involving power plants;
- (b) established network of contacts in Bangladesh, such as suppliers of raw materials and labour for the construction of the Solar Power Plant; and

LETTER TO SHAREHOLDERS

- (c) familiarity with the regulatory environment in respect of the undertaking of engineering and construction projects in Bangladesh, for example the application of relevant permits and licences for the Proposed Solar Project.

The Group believes that IFDC's established network in and familiarity with the regulatory environment of Bangladesh would facilitate the progress of the Proposed Solar Project.

The management of IFDC, who collectively hold the entire shareholding of IFDC, are Gp Cpt (Retd) SK M Shafiqul Islam ("**SK Islam**") and Sayed Bin Zaman, each of whom has undertaken numerous engineering and construction projects involving power plants in Bangladesh. In particular, SK Islam oversaw the engineering and construction of a 40MW heavy fuels power plant in Bangladesh.

2.6 Rationale for the Proposed Solar Project

The Group proposes to undertake the Proposed Solar Project for the following reasons:

Reducing reliance on and mitigating against volatility of the Group's Existing Core Businesses

The Group had on 31 December 2015 disposed of its distribution business for refined petroleum products ("**RP Business**") which was conducted by TAT Petroleum Pte Ltd and its subsidiaries, and Axxmo International Pte Ltd. The disposal of the RP Business, which accounted for 86.38% and 134.7% of the Group's revenue and net profit respectively for the 9 month period ended 30 September 2015, has significantly reduced the Group's source of revenue and profit.

The foray by the Group into the Solar Power Business (as defined below in Section 3.2 entitled "The Proposed Diversification" of this Circular), and in particular the Proposed Solar Project, would (a) potentially provide new revenue streams to replace the revenue that was contributed by the RP Business, further enhancing Shareholders' value; and (b) reduce reliance by the Group on the Existing Core Businesses.

Growth potential of the renewable energy market in Bangladesh

Bangladesh has high undeveloped energy production potential and, further to its Renewable Energy Policy 2009 which was adopted in December 2008 and implemented in 2009⁽¹⁾, a firm commitment to renewable energy and environmental sustainability. The Renewable Energy Policy 2009 envisions 10% of the total power generated in Bangladesh to be from renewable sources by 2020⁽²⁾. Bangladesh also participated in the Conference of Parties 21 in Paris in December 2015 and has pledged an unconditional 5% cut in greenhouse gases emissions by 2030 with a further commitment to cutting such emissions by 15% by 2030 with financing and technology support. In furtherance of such commitment, one of the actions Bangladesh intends to take would be to develop 1000MW of utility-scale solar power plants by 2030⁽³⁾.

An indication of the Bangladesh government's strong commitment to developing renewable energy is the implementation of the solar home system project in 2003, which is led by government-owned Infrastructure Development Company Limited, which had installed solar home systems in 3.5 million households by the end of 2014.

LETTER TO SHAREHOLDERS

The Bangladesh government is also offering tax incentives for companies incorporated under the laws of Bangladesh operating exclusively as a renewable energy power generation company, such as an exemption from taxation or withholding tax in Bangladesh for 15 years on any income derived from the sale of power, such exemption to commence from the date such company commences operations. Further, all such companies will be exempt from taxes for the import plant and equipment for use with the power generation facilities.

Based on the foregoing, the Group believes that the demand for energy produced by solar power in Bangladesh will increase and that the Proposed Solar Project will put the Group in place to capitalise on such demand.

Notes:

- (1) http://www.bpdb.gov.bd/bpdb/index.php?option=com_content&view=article&id=26&Itemid=24
- (2) http://www.bpdb.gov.bd/bpdb/index.php?option=com_content&view=article&id=26&Itemid=24
- (3) Intended Nationally Determined Contributions (INDC), September 2015, Ministry of Environment and Forests (MOEF), Government of the People's Republic of Bangladesh.

2.7 Risk Factors relating to the Proposed Solar Project

The undertaking of the Proposed Solar Project would expose the Group to the general risks involved in the undertaking of the Solar Power Business, further details of which are set out in Section 3.5 entitled "Risk Factors relating to the Solar Power Business" of this Circular. In addition to such general risks, the Group could be affected by risks that relate specifically to the Proposed Solar Project, which may arise from, *inter alia*, economic, business, market and political factors, including those set out below. Shareholders should carefully consider and evaluate each of the following considerations and all other information contained in this Circular.

To the best of the Directors' knowledge and belief, all risk factors which are material to Shareholders in making an informed decision on the Proposed Solar Project have been set out below and Section 3.5 entitled "Risk Factors relating to the Solar Power Business" of this Circular. If any of the factors and/or uncertainties described below develops into actual events, this may have a material and adverse impact on the Proposed Solar Project and consequently, the overall results of operations, financial condition and prospects of the Group could be similarly impacted.

The risks described below are not intended to be exhaustive. New risk factors emerge from time to time, and it is not possible for the Board and the management to predict all risk factors, nor can the Group assess the impact of all factors on the Proposed Solar Project or the extent to which any factor, or combination of factors, may affect the Proposed Solar Project. There may also be other risks associated with the entry into the Proposed Solar Project and markets in which the Proposed Solar Project intends to be engaged in which are not presently known to the Group, or that the Group may currently deem immaterial and as such have not been included in the discussion below.

LETTER TO SHAREHOLDERS

The following is a list of risk factors that are generally associated with the Proposed Solar Project:

The Group may be exposed to a range of construction risks relating to the construction of the Solar Power Plant

To the best of the knowledge of the Directors, there are no contractors in Bangladesh with the requisite experience in the engineering and construction of solar power plants. The Group intends to engage contractors with the requisite experience and expertise from out of Bangladesh for the construction of the Solar Power Plant, who may not be familiar with the undertaking of such projects in Bangladesh.

Accordingly, the time and costs required to complete the construction of the Solar Power Plant may be subject to extensions and increases due to many factors, among others, shortages of or increase in prices of construction materials, performance risks, change in market conditions, difficulties in obtain relevant permits or certifications from the relevant authorities and other unforeseeable circumstances.

Any of such factors may lead to delays in or prevent the completion of the construction of the Solar Power Plant and result in costs significantly exceeding those budgeted for which the Group may not be adequately compensated for by way of insurance or contractual indemnities. In such an event, the Group's financial performance may be materially and adversely affected.

Reliance on third party contractors

The Group is intending to rely on third party contractors for the construction of the Solar Power Plant and subsequently, may rely on such third party contractors for the operation and maintenance of the Solar Power Plant. Accordingly, the Group would have limited control over the day to day activities of such third party contractors and will be reliant on the ability of such third party contractors to carry out their contractual obligations.

While the Group shall (a) put in place internal process for the engagement of such third party contractors, having regard, among others, the specific expertise and competencies required for the project in question and their experience, historical track record and financial standing; and (b) have a management team to closely monitor the work of such third party contractors, to the extent that such third party contractors fail to perform their contractual obligations in accordance with their respective contracts, the completion of the construction of the Solar Power Plant may be delayed or there may be a loss of revenue due to a breakdown of the Solar Power Plant due to lack of proper maintenance. Even if the Group were to take action against such third party contractor for such breach, the Group may not be able to recover the losses incurred. In such an event, this may materially and adversely affect the financial performance of the Group.

Counterparty risk

As stated in Section 2.2 entitled "LOI in respect of the Proposed Solar Project" of this Circular, BPDB and HDFC are to enter into the PPA, pursuant to which BPDB shall purchase electric power generated by the Solar Power Plant from HDFC on the basis that BPDB shall pay a fixed tariff for all electric power purchased, without any capacity charge, at a rate of US\$0.17/kWh for a period of 20 years. To the extent that there is any default in the payment of the tariff, this may result in a loss of revenue by the Group.

LETTER TO SHAREHOLDERS

Notwithstanding a sovereign guarantee which shall be given by the government of Bangladesh for such payment by BPDB under the PPA, pursuant to which the government of Bangladesh shall pay to HDFC such outstanding payment under the PPA in the event of a payment default by BPDB, there is no assurance that the Group is able to recover any amounts owed under the PPA from BPDB or the government of Bangladesh should there be a default. In such an event, the Group's financial performance may be adversely affected.

The Group is susceptible to fluctuations in foreign exchange rates relating to the Proposed Solar Project

For the Proposed Solar Project, the Group's revenue and financing from financial institutions are denominated in US\$ while operating expenses may be denominated in currencies other than the US\$, such as the BDT. As the Group's accounts are recorded in S\$, any depreciation in the US\$ against these currencies may also result in translation losses on consolidation. Any translation losses will be recorded as translation deficits resulting in a negative impact on Shareholders' equity.

In order to mitigate the risks associated with foreign exchange fluctuation and the mismatch between the US\$ and the Group's reporting currency of S\$, the Group may utilise cross currency swap contracts, foreign currency debt and foreign currency forward contracts to hedge against such risks. To the extent that the Group is unable to hedge fully and effectively against its foreign currency exposure, the Group's financial performance may be materially and adversely affected.

Financing risk

The exposure to the Group in respect of the Proposed Solar Project is anticipated to be up to approximately US\$17.25 million, comprising the intended (a) equity contribution of Sinenergy Holdings in HDFC, being US\$3.25 million; and (b) shareholder loan by Sinenergy Holdings to HDFC of up to US\$14 million. As HDFC is intending to seek financing from financial institutions for the balance of the project cost for the Proposed Solar Project, being up to US\$56 million, a corporate guarantee by the Company may be required by such financial institutions as security for such funding.

In the event of any default by HDFC of such financing arrangement and such financial institutions claiming on such corporate guarantee extended by the Company, the exposure of the Group will be up to the entire amount of such financing extended by such financial institutions to HDFC and the sum of approximately US\$17.25 million comprising its equity contribution and shareholder loan to HDFC, being an aggregate of up to approximately US\$73.25 million. This may materially and adversely affect the financial performance of the Group.

General risk of operating in Bangladesh

The Proposed Solar Project operates in Bangladesh where the government has exercised and continues to exercise significant influence over many aspects of its economy, including the solar power industry. Government actions affecting the solar power industry may have a material adverse effect on the Proposed Solar Project. In particular, the grant of tax incentives for companies incorporated under the laws of Bangladesh operating exclusively as a renewable energy power generation company, such as an exemption from taxation or withholding tax in Bangladesh for 15 years on any income derived from the sale of power. There are also no repatriation restrictions in Bangladesh.

LETTER TO SHAREHOLDERS

The Proposed Solar Project may also be adversely affected by changes, which are not within the Group's control, in government policies, social instability or other political, economic, legal or diplomatic developments in or affecting Bangladesh. These include the risks of war, terrorist attack, expropriation, nationalisation, renegotiation or nullification of existing concessions and contracts, taxation policies, foreign exchange and repatriation restrictions, changing political conditions, international monetary fluctuations and currency controls.

In the event of any of the above, in particular if the government of Bangladesh tightens or otherwise adversely changes their laws and regulations relating to the repatriation of their local currencies it may affect the ability of HFDC to repatriate profits to the Group and may materially and adversely affect the Group's financial performance.

3. THE PROPOSED DIVERSIFICATION OF CORE BUSINESSES OF THE GROUP TO INCLUDE THE SOLAR POWER BUSINESS

3.1 Existing Core Businesses

The Group's existing core businesses ("**Existing Core Businesses**"), which are currently undertaken by the Company and its wholly owned subsidiaries, are as follows:

- (a) design, engineering and construction of integrated structures created from steel, aluminum and glass materials which is undertaken by Hetat Holdings and its subsidiaries; and
- (b) provision of corrosion prevention services to the marine, oil and gas, construction and infrastructure industries which is undertaken by See Hup Seng CP Pte. Ltd. and its subsidiaries.

3.2 The Proposed Diversification

The Directors propose to convene the EGM to seek the approval of Shareholders for, among others, the Proposed Diversification to include the solar power business ("**Solar Power Business**") which comprises the:

- (a) engineering, procurement and construction ("**EPC**") of solar power systems for third parties;
- (b) leasing of solar power systems that the Group owns to third parties;
- (c) EPC of solar power systems for the sale of electric power produced by such solar power systems owned by the Group;
- (d) acquisition of solar power systems from third parties for the Group's operations for the sale of electric power produced by such solar power systems owned by the Group; and
- (e) sale of electric power produced by solar power systems owned by the Group.

3.3 Details of the Proposed Diversification

Upon the approval of Shareholders for the Proposed Diversification being obtained at the EGM, the Group intends to expand its Existing Core Businesses to include the Solar Power Business, as and when appropriate opportunities arise. The Group aims to cautiously

LETTER TO SHAREHOLDERS

venture into the Solar Power Business by actively seeking out opportunities to engage in such business on a project basis, whereby the Group may, among others, accept (a) individual engagements for the EPC of solar power systems for third parties; (b) undertake the EPC of solar power systems which shall be owned and operated by the Group and to sell electrical power produced by such solar power systems, for example the Proposed Solar Project.

The Group does not have a prior track record, experience and expertise in the Solar Power Business. The Group intends to commence the Solar Power Business in countries within Asia ex-Japan. Each project will be evaluated and assessed by the Board on its own merits. When undertaking any possible investments or business opportunities, the Board will consider, *inter alia*, cash flow requirements of the Group and returns on the business opportunities or investments.

With the Proposed Diversification, the Group aims to undertake projects for solar power systems of different sizes. The size of the solar power system determines its output, for example solar power systems with floor areas of approximately 6,400 sq m will have a maximum capacity of approximately 1MW. Projects with a maximum output of less than 1MW are considered small scale projects ("**Small Scale Project**"), while those with a maximum capacity of 1MW and above are considered Large Scale Projects.

Solar power systems are easily customised to achieve the varying outputs desired by different customers. As the solar power systems are easily customised to suit the specific needs of various groups of customers, the Group envisages the customers for the Solar Power Business to comprise a wide range of customers ranging from individual residential unit owners, to factory owners in industrial areas, owners of huge complexes such as government agencies, and solar farmers. The solar power generated from the leasing of such systems will be for the direct benefit of the building owners and the amount to be paid by them for such solar power will be derived from the output levels of the systems.

Due to the wide range of solar power systems, the production capacity of and the capital resources required for such solar power systems will depend on the requirements of each project undertaken by the Group.

The Group may foster partnerships with various third parties in the solar power industry to assist it in undertaking the Solar Power Business more effectively and efficiently as the Group seeks to build its expertise and capabilities in this field. Such partnerships may be done either on a case by case basis or on a term basis. The decision whether a project should be undertaken by the Group on its own or in collaboration with third parties will be taken by the Group after taking into consideration various factors such as the nature and scale of the project, amount of investment required, nature of expertise required and the period of time that is required to complete the project.

Where necessary, work may be outsourced to third parties who have expertise in the relevant area in relation to the projects concerned. In selecting its partners, the Group will take into account the specific expertise and competencies required for the project in question and the experience, historical track record and financial standing of the party concerned.

The Group has shortlisted the Proposed Solar Project and will be partnering with Ditrollic and IFDC for the undertaking of the Proposed Solar Project. For further details of the Proposed Solar Project, Ditrollic and IFDC, please refer to Section 2 entitled "The Proposed Solar Project" of this Circular.

LETTER TO SHAREHOLDERS

3.4 Rationale for the Proposed Diversification

The Group proposes to diversify its Existing Core Businesses to include the Solar Power Business for the following reasons:

Approval Not Required from Shareholders for Major Transactions that do not change risk profile

Pursuant to Rule 1014 of the Listing Manual, a major transaction is a transaction where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeds 20% (a “**Major Transaction**”). A Major Transaction must be made conditional upon approval by Shareholders in general meeting. For further details on Rules 1006 and 1014, please refer to the Listing Manual. Pursuant to Practice Note 10.1 of the Listing Manual, save where the acquisition changes the risk profile of the issuer, Shareholders’ approval is not required for a Major Transaction if the acquisition will result in an expansion of the issuer’s existing core business. Practice Note 10.1 further states that the SGX-ST takes the view that it should not in normal circumstances require an issuer to seek Shareholders’ approval if the expansion is by way of an acquisition of a similar business, when other means to expand its business that are open to the issuer will not require Shareholders’ approval.

With the Proposed Diversification, the Group will, in its normal course of business, be able to enter into any transaction relating to the Solar Power Business without need for further Shareholders’ approval even though such transaction constitutes a Major Transaction, unless such transaction changes the risk profile of the Group. As such, the Company need not convene separate general meetings from time to time to seek Shareholders’ approval as and when potential transactions which are Major Transactions relating to the Solar Power Business arise, thereby substantially reducing the administrative time and expenses in convening such meetings and consequently, facilitating the Group’s pursuit of its corporate objectives and increasing the Group’s responsiveness to business opportunities that avail to the Group.

For the avoidance of doubt, notwithstanding the Proposed Diversification, in respect of:

- (a) the first Major Transaction involving the Solar Power Business (the “**First Major Transaction**”), or where the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual in respect of several transactions involving the Solar Power Business aggregated (the “**Aggregated Transactions**”) over the course of a 12 month period exceeds 20%, such First Major Transaction or, as the case may be, the last of the Aggregated Transactions will be made conditional upon approval of Shareholders in general meeting;
- (b) transactions which fall within the definition of Rule 1002(1) of the Listing Manual, Rules 1005, 1010 and 1014 will still apply;

LETTER TO SHAREHOLDERS

- (c) transactions where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeds 100% or results in a change in control of the issuer, Rule 1015 of the Listing Manual will still apply to such transactions and such transactions must be, among others, pursuant to Rule 1015(1)(b) made conditional upon approval by the SGX-ST and Shareholders in general meeting;
- (d) transactions where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual is a negative figure, pursuant to Rule 1007(1), Chapter 10 of the Listing Manual may still apply to such transactions at the discretion of the SGX-ST, and the Company shall consult the SGX-ST; and
- (e) transactions which constitute an “interested person transaction” as defined under the Listing Manual, Chapter 9 of the Listing Manual will apply to such transaction and the Company will comply with the provisions of Chapter 9 of the Listing Manual.

Reducing reliance on and mitigating against volatility of the Group’s Existing Core Businesses

As stated in Section 2.6 entitled “Rationale for the Proposed Solar Project” of this Circular, the Group has disposed of the RP Business, which accounted for 86.38% and 134.7% of the Group’s revenue and net profit respectively for the 9 month period ended 30 September 2015, thereby significantly reducing the Group’s source of revenue and profit.

While the Group remains focused on growing the Existing Core Businesses to enhance Shareholders’ value by improving operational efficiencies and seeking opportunities overseas, the Proposed Diversification and the Solar Power Business would (a) potentially provide new revenue streams to replace the revenue that was contributed by the RP Business, further enhancing Shareholders’ value; and (b) reduce reliance by the Group on the Existing Core Businesses.

Growth Potential of the renewable energy market

The Group is of the view that the renewable energy market, which includes solar power, across many jurisdictions shows potential for growth. The Group is also of the view that many such jurisdictions have high undeveloped energy production potential and increased commitment to renewable energy and environmental sustainability. Accordingly, the Group believes that the growth in demand for renewable energy is likely.

For example, there are 192 parties to the Kyoto Protocol, an international treaty which extends the United Nations Framework Convention on Climate Change and commits parties to reducing greenhouse gases emissions. As a growing number of countries aim to reduce their carbon footprint and promote sustainable development, more efforts are being undertaken to develop renewable energy sources and increase energy efficiency.

According to the Sustainable Energy Association of Singapore, renewable energy resources can generate up to 10% of Singapore’s power demand by the year 2020 and solar power was identified as one of the key renewable energy sources in the country.

LETTER TO SHAREHOLDERS

3.5 Risk Factors relating to the Solar Power Business

The Group could be affected by a number of risks that may relate to the Proposed Diversification or risks that may relate to the markets in which the Proposed Diversification is intended to be engaged. Risks may arise from, *inter alia*, economic, business, market and political factors, including the risks set out below. Shareholders should carefully consider and evaluate each of the following considerations and all other information contained in this Circular, including the risks that relate specifically to the Proposed Solar Project, which are set out in greater detail in Section 2.7 entitled “Risk Factors relating to the Proposed Solar Project” of this Circular.

To the best of the Directors’ knowledge and belief, all risk factors which are material to Shareholders in making an informed decision on the Proposed Diversification have been set out below. If any of the factors and/or uncertainties described below develops into actual events, this may have a material and adverse impact on the Proposed Diversification and consequently, the overall results of operations, financial condition and prospects of the Group could be similarly impacted.

The risks described below are not intended to be exhaustive. New risk factors emerge from time to time, and it is not possible for the Board and the management to predict all risk factors, nor can the Group assess the impact of all factors on the Proposed Diversification or the extent to which any factor, or combination of factors, may affect the Proposed Diversification. There may also be other risks associated with the entry into the Proposed Diversification and markets in which the Proposed Diversification intends to be engaged in which are not presently known to the Group, or that the Group may currently deem immaterial and as such have not been included in the discussion below.

The following is a list of risk factors that are generally associated with the Solar Power Business:

The Group does not have an established track record and has little operating experience in the Solar Power Business

Save a project for the installation of up to 4MW rooftop solar power system that has been awarded by a Singapore government-linked company to Sinenergy Holdings on 18 February 2016, the project cost of which is up to S\$7 million (“**First Project**”), the Group does not have a prior track record in the carrying out or implementation of the Solar Power Business. There is no assurance that the Group’s foray into the Solar Power Business will be commercially successful and that the Group will be able to derive sufficient revenue to offset the capital and start-up costs as well as operating costs arising from the Solar Power Business. The Solar Power Business may require high capital commitments and may expose the Group to unforeseen liabilities or risks associated with its entry into new markets or new businesses.

The Solar Power Business involves business risks including the financial costs of setting up new operations, capital investment and maintaining working capital requirements. If the Group does not derive sufficient revenue from or does not manage the costs of the Solar Power Business effectively, the overall financial condition and profitability of the Group may be adversely affected. The Group will also be exposed to the risks associated with a different competitive landscape and a different operating environment. In particular, the Group will be affected by factors affecting the solar power industry, as well as the trends and developments

LETTER TO SHAREHOLDERS

affecting the renewable energy market in general. The renewable energy market is also affected by general economic conditions such as relevant government policies and measures.

The Group's future plans with regard to the Solar Power Business may not be profitable, may not achieve sales levels and profitability that justify the investments to be made or may take a long period of time before the Group could realise any return. The Solar Power Business may entail financial and operational risks, including diversion of management attention, difficulty in recruiting suitable personnel and possible negative impacts on the Group's existing business relationships with its clients who may also be solar power systems contractors themselves.

Further, such future plans and new initiatives could be capital intensive and could also result in potentially dilutive issuances of equity securities, the incurrence of capital commitments, debt and contingent liabilities as well as increased operating expenses, all of which may materially and adversely affect the business of the Group. The Group may face significant financial risks before it can realise any benefits from its future investments in the Solar Power Business.

The Group may not have the ability or sufficient expertise to execute the Proposed Diversification

The Group's ability to successfully diversify into the Solar Power Business is dependent upon its ability to adapt its existing knowledge and expertise and to understand and navigate the Solar Power Business. As at the Latest Practicable Date, none of the Directors or key executives of the Group have any experience in the Solar Power Business. While the Group has engaged Mr Chua Kok Keong ("**Mr Chua**") and Mr Lee Kok Leong ("**Mr Lee**"), further details of which are set out in Section 3.6 entitled "Management" of this Circular, to be the main drivers of the Solar Power Business, there is no assurance that the Group will be able to hire and subsequently retain employees with the relevant experience and knowledge or adequately outsource its manpower requirements to contractors with the relevant experience and knowledge. The Group may not successfully implement the Solar Power Business and the Group's financial performance and financial condition may be adversely affected.

The Group may be exposed to risks associated with acquisitions, joint ventures and strategic alliances

Depending on available opportunities, feasibility and market conditions, the Group's expansion into the Solar Power Business may involve acquisitions, joint ventures or strategic alliances with third parties in overseas markets that the Group intends to focus on. There is no assurance that such joint ventures or strategic alliances or the joint management of such enterprises will be successful.

Participation in joint ventures, strategic alliances, acquisitions or other investment opportunities involves numerous risks, including the possible diversion of management attention from existing business operations and loss of capital or other investments deployed in such ventures, alliances, acquisitions or opportunities.

Furthermore, the Group may be expected to rely on its joint venture partners at the initial stage of its foray into the Solar Power Business and there is a risk that any of the joint venture partners may fail to perform by not possessing the adequate experience or skill sets expected of them or experience financial or other difficulties which may affect their ability to

LETTER TO SHAREHOLDERS

carry out their contractual obligations, thus delaying the completion of the Group's development projects and/or resulting in additional costs to the Group. In such events, the Group's financial performance may be adversely affected.

As at the Latest Practicable Date, the Group has identified a Large Scale Project, being the Proposed Solar Project, for the Proposed Diversification. Please refer to Section 2 entitled "The Proposed Solar Project" of this Circular for further details.

The Group may need various licenses and permits to operate and the non-renewal, non-granting or suspension of its licenses and permits may affect its operations, financial performance, and financial condition

The Group may be required to obtain various licences and permits to conduct the Solar Power Business. For example, in Singapore, under the Electricity Act, the Group is required to obtain (i) the electrical installation licence for installation of all non-residential electrical installations of solar power systems, with demand exceeding 45 kVA; and (ii) the generation licence or wholesaler (generation) licence for the sale of electric power from its solar power systems, depending on the output levels of the solar power system, from the Energy Market Authority of Singapore.

The Group will obtain all licences and permits required for the Solar Power Business as and when the Group has identified any specific solar power projects in the relevant geographical territory. In particular for the Proposed Solar Project, which is proposed to be undertaken in Sutiakhali, Mymensingh District, Bangladesh, material licences and permits would have to be obtained by HDFC. For further details on such material licences and permits, please refer to Section 2.4 entitled "Permits, Licences and Approvals for the Proposed Solar Project" of this Circular.

The licences and permits required for the Solar Power Business are generally subject to conditions stipulated therein and/or the relevant laws or regulations under which such licences and permits are issued. Failure to comply with such conditions could result in non-renewal, non-granting or suspension of the relevant licence or permit. As such, the Group will have to constantly monitor and ensure compliance with such conditions.

Should there be any failure to comply with such conditions resulting in the cancellation, revocation or non-renewal of any of the licences and permits, it may not be able to carry out its operations. In such event, its operations, financial performance and financial condition will be materially and adversely affected.

The Group may be exposed to risk of non-compliance with governmental and regulatory requirements

There is no assurance that the Group will be able to meet all the regulatory requirements and guidelines, or comply with all the applicable regulations at all times, or that it will not be subject to sanctions, fines or other penalties in the future as a result of non-compliance. If sanctions, fines and other penalties are imposed on the Group for failing to comply with applicable requirements, guidelines or regulations, its business, reputation, financial condition and results of operations may be materially and adversely affected.

LETTER TO SHAREHOLDERS

The Group may face disruptions of supply of electricity caused by equipment failure

The breakdown of generation equipment or failure of other key equipment or of a civil structure in solar power systems that the Group may acquire or construct may disrupt the generation of electricity. This may result in reduced revenues and increased maintenance costs of the Group. Furthermore, any breakdown or failure of one or more of the transmission systems may disrupt transmission of electricity by solar power systems to the power grid, which may lead to the Group's failure to supply electricity to its customers continuously.

The Group may face disruptions to business caused by disasters and human fault

The solar power systems that the Group may acquire or develop may be damaged by flooding, drought, debris flow, landslide, earthquake, other natural disasters, human error, fault or negligence or the operations may have to be suspended during repair of the damaged systems or when there is a drought. Such unpredictable disasters may not only significantly obstruct the Group's access to solar energy, disrupt the power generation and damage the power generation facilities and equipment, but may also significantly reduce the general demand of electricity. The Group's operation may be seriously disrupted by such disasters which may materially and adversely affect its results of operation.

Competition in power industry

The Group will be competing in markets with other local power generation companies in Asia ex-Japan such as (i) Singapore Power, the Sunseap group of companies and Seraya Energy Pte Ltd in Singapore; (ii) Tenaga Malaysia in Malaysia; (iii) Perusahaan Listrik Negara in Indonesia; (iv) Tata Power and NTPC Limited in India; and (v) Sun Edison Energy Holding (Singapore) Pte. Ltd. in Bangladesh.

These power companies and a number of other power producers may have substantially greater financial, infrastructural or other resources than the Group. The Group may also face competition from new entrants to the solar power industry having business objectives similar to the Group and they may have greater financial resources.

There is also increasing competition among operating solar power systems for the provision electric power and land use rights. In particular, there may be keen competition on the acquisition or development of solar power systems. If the Group is unable to compete successfully, the Group's growth opportunities to increase generating capacity may be limited and its revenue and profitability may be adversely affected. In the future, competitive bidding may extend to solar power systems and further increase price competition among domestic power generation companies. There is no assurance that increased competition in the future will not have a material adverse effect on the Group's results of operations and growth prospects.

Competition between the demand for solar power systems and other sources of energy

The demand for solar power systems that produce electricity from renewable energy sources depends in part on the cost of generation from other sources of energy. The terms and costs under which supplies of petroleum, coal, natural gas and other fossil fuels, as well as uranium, can be obtained are key factors in determining the economic interest in using these energy sources rather than renewable energy sources. The principal energy sources in competition with renewable energy sources are petroleum, coal, natural gas and nuclear

LETTER TO SHAREHOLDERS

energy. A decline in the competitiveness of electricity from renewable energy sources in terms of cost of generation, technological progress in the exploitation of other energy sources, discovery of large new deposits of oil, gas or coal, could weaken demand for electricity generated from renewable energy sources.

In the renewable energy sector, competition primarily exists with regard to factors such as bidding for available sites, performance of sites in generation, quality of technologies used, price of power produced and scope and quality of services provided, including operation and maintenance services. A decline in the competitiveness of electricity generated from solar power sources in terms of such factors could weaken demand for solar power. Should solar power production become uncompetitive with other forms of renewable energy production, or if fossil fuel productions become more cost competitive, the construction of solar power systems may slow down, thus reducing the pool of potential acquisition targets of the Group and limiting the ability of the Group to grow and the revenue of the Group may decline.

The growth of the Solar Power Business may be limited

While the Group intends to actively seek for opportunities for new projects in the Solar Power Business, there is no assurance that it will be able to identify such suitable projects which suit its risk and return profile. In the event that the Group is not able to identify suitable projects, it does not intend to undertake any further projects in the Solar Power Business. Further, there is no assurance that such projects undertaken will be profitable or successful.

As at the Latest Practicable Date, apart from the First Project, the Group has also identified the Proposed Solar Project, for the Proposed Diversification. Please refer to Section 2 entitled "The Proposed Solar Project" of this Circular for further details.

Revenue may be affected by weather conditions

The Group's intended revenue model for the Solar Power Business is partially based on the revenue derived from the sale of electric power by the Group to its customers. The ability of solar power systems to generate electric power is affected by factors such as sun intensity, cloud cover, relative humidity and heat buildup.

To the extent that the solar power systems are not operating at maximum capacity factors such as extended periods of weather with low sun intensity or high cloud cover, the electric power generated by Group would be reduced and the Group's financial performance may be materially and adversely affected.

There is no assurance that the Group's future plans for the Solar Power Business will be successful

As part of the Group's future business plans for the Solar Power Business, the Group intends to acquire solar power systems in various countries in Asia ex-Japan. These expansion plans may involve significant investments as well as additional working capital requirements. For example, the Group anticipates that it will undertake Small Scale Projects and Large Scale Projects with project costs of up to S\$2 million and S\$140 million respectively. In addition, the project cost of designing and constructing the Solar Power Plant is anticipated to be approximately US\$70 million to US\$80 million. Such expansion plans may also divert the management's attention and expose its business to unforeseen risks associated with entering into new markets. There is no assurance that such expansion plans will be

LETTER TO SHAREHOLDERS

commercially successful or that the Group's profitability will increase or that the Group will not incur losses due to a potential increase in the Group's operating costs that may be incurred to finance the growth and expansion.

The Group may also not be successful in integrating any acquired businesses and might not achieve the anticipated synergies or cost benefits. If the Group fails to achieve a sufficient level of revenue or if the Group's expansion plans result in performance problems with an acquired company, potential dilutive issuance of equity securities or the incurrence of debt, contingent liabilities, possible impairment charges related to goodwill or other intangible assets or any other unanticipated events or circumstances, the Group's future financial condition and performance will be materially and adversely affected.

The Group may be exposed to risk of loss and potential liabilities that may not be covered by insurance

The operation of solar power systems involves different risks and hazards, such as failure of power generation or transmission systems, industrial accidents and natural disasters, which are beyond the control of the Group as well as human error, fault and negligence. The Group's operating costs for the solar power systems that the Group may acquire or develop may increase due to business interruptions or compensations for personal injuries and replacement or repair of damaged property.

The Group intends to have insurance over its fixed assets and intends to maintain third party liability insurance to cover claims in respect of bodily injuries or property or environmental damages arising from accidents or natural disasters on the Group's property or relating to its operations.

The Group does not intend to carry business interruption insurance. If the Group shall incur uninsured losses or pay compensation for uninsured risks, the Group's results of operations and financial condition of the Group may be materially and adversely affected. Notwithstanding that the Group does not intend to carry such insurance policies, the Group believes that its insurance coverage is adequate and is in line with the practice for the power industry.

The Group may be involved in legal or other proceedings arising from its operations in the Solar Power Business

The Group may be involved from time to time in disputes with various parties involved in the projects that the Group undertakes. These parties include contractors, sub-contractors, suppliers, construction companies, purchasers of the Group's properties and other partners. These disputes may lead to legal and other proceedings.

The Group may also have disagreements with regulatory bodies and these may subject it to administrative proceedings. In the event that unfavourable judgments are passed by the courts or unfavourable rulings are made by the regulatory bodies, the Group may suffer not only financial losses but also a delay in the construction or completion of the Group's solar power projects.

LETTER TO SHAREHOLDERS

The Solar Power Business is subject to the general risk of doing business overseas

The Group plans to commence engaging in the Solar Power Business in Asia ex-Japan. As such, the Group may be subject to the general risk of doing business overseas. These general risks include unexpected changes in regulatory requirements, difficulties in staffing and managing foreign operations, maintaining good union and labour relations, social and political instability, fluctuations in currency exchange rates, nationalisation and expropriation of assets, potentially adverse tax consequences, legal uncertainty regarding liability, tariffs and other trade barriers variable and unexpected changes in local law and barriers to the repatriation of capital or profits, any of which could materially affect the overseas operations of the Group. These risks if materialised may affect the Group's business and financial condition.

In addition, if the governments of countries in which the Group operates tightens or otherwise adversely changes their laws and regulations relating to the repatriation of their local currencies, it may affect the ability of the Group's overseas operations to repatriate profits to the Group and, accordingly, the cash flow of the Group will be adversely affected.

Changes in government legislations, regulations or policies may directly or indirectly affect the Solar Power Business

Changes in government legislations, regulations or policies of countries in which the Group undertakes its Solar Power Business may result in the Group being unable to complete its solar power projects on time, or at all, or result in an increase in costs, or adversely affect the businesses which are relevant to the solar power industry. Such changes may include delays in procuring the necessary approvals, licenses or certificates from government bodies, and changes in laws, regulations and policies in relation to the construction sector in general. This may adversely affect the financial position of the Group.

The Group is susceptible to fluctuations in foreign exchange rates that could result in the Group incurring foreign exchange losses

The revenue from the Solar Power Business may be generated from sales to markets, which may include overseas markets. To the extent that the Group's revenue, purchases and operating costs are not matched in the same currency and to the extent there are timing differences between invoicing and collection of payment, as the case may be, the Group may be exposed to any unfavourable fluctuations of such currencies of the jurisdictions in which the Group will be engaging in to conduct its business, and the Group's operating results may be materially or adversely affected.

The Group may be adversely affected by an outbreak of communicable diseases

An outbreak of infectious disease in the markets where the operations of the Solar Power Business is based may have an adverse impact on the Group's operations and the Group's financial performance. Market sentiment and consumer confidence could be affected and may lead to a deterioration of economic conditions.

Further, in the event that the Group's employees or those of the Group's contractors or sub-contractors are infected or suspected of being infected with any communicable disease, the Group may be required by health authorities to temporarily shut down the affected project

LETTER TO SHAREHOLDERS

sites and quarantine the relevant workers to prevent the spread of the disease. This will result in project delay and have an adverse impact on the Group's business, financial performance and financial condition.

Substantial reduction or elimination of government subsidies and economic incentives for solar power applications may adversely affect the Group

Many jurisdictions are turning to tax relief to promote renewable energy sources, including solar power, for power generation and have adopted the same or substantially the same model of offering such incentives. Government support for renewable energy investments comes in a wide variety of tax incentives including but not limited to credits, grants, tax holidays, accelerated depreciation and non-tax incentives. As such, the growth of substantially all of the target markets for solar power applications usually depends on the availability and size of government subsidies and economic incentives.

For example, the Singapore government has offered substantial incentives in the form of cash incentives and subsidies for solar power system installations or rebates for electricity produced from solar power and other incentives, to promote the use of solar power and to reduce dependence on non-renewable power. Therefore, in the event that the governments of countries in which the Group may undertake its Solar Power Business substantially reduce or eliminate these government subsidies and economic incentives, it will likely reduce the size of these markets, result in decreased demand for solar products and result in increased price competition, which may adversely affect the Group's results of operations.

Labour activism and unrest may materially and adversely affect the Solar Power Business

Laws permitting the formation of labour unions, combined with weak economic conditions, have resulted, and may result, in labour unrest and activism. These labour laws and regulations may make it more difficult to maintain flexible labour policies in such jurisdictions in which the Group undertakes the Solar Power Business.

For example, the Indonesian government enacted Law No. 13/2003 (the "**Labour Law**") in March 2003 which requires further implementation of regulations that may substantively affect labour relations in Indonesia. The Labour Law requires bipartite forums with participation from employers and employees, and the participation of more than 50% of the employees of a company, in order for a collective labour agreement to be negotiated and, in addition, the Labour Law creates procedures that are more permissive to the staging of strikes.

Further, labour unrest and activism could disrupt operations of the Solar Power Business, and thus could materially and adversely affect the Group's financial condition, results of operations and prospects.

The Group may face difficulties in acquiring new land sites for the Solar Power Business

The Group may acquire land for the Solar Power Business, in particular for the construction of solar power systems for the Group's own operations. The Group is subject to availability of suitable land sites and its ability to acquire them due to various government regulations restricting foreign ownership of land and competition with other local power generation companies for the sourcing of land sites.

LETTER TO SHAREHOLDERS

The Group may also face difficulties in obtaining ownership of land title or enforcement thereof for new land sites which extend over areas where local communities reside. Even if the Group acquires such land sites, the Group's operations may also impact these local communities negatively. Consequently, local dissatisfaction with the Group may arise and future acquisition of new land sites may be restricted.

There is no assurance that the Group will not face difficulties in acquiring new land sites for the Solar Power Business. If the Group is unable to acquire such land, the Group's business, financial condition, results of operations and prospects may be adversely affected.

The Group may incur additional costs in relation to its warranty obligations for the Solar Power Business

The Group may undertake warranty obligations in respect of the products sold or services provided in respect of the Solar Power Business and may be faced with product liability claims or claims for defects.

In particular, the solar power systems which the Group intends to manufacture and supply are intended to have a warranty period of one (1) year and cover any manufacturing defect in workmanship, materials and construction. The Group intends not to charge its customers for the rectification and repair works needed to be carried out by the Group that are covered under the respective warranties, the cost of which is absorbed by the Group.

During the warranty period, as the Group may incur additional costs for such rectification and repair works conducted pursuant to such warranty claims, significant warranty claims may have an adverse effect on the Group's financial performance.

The Group may also enter into power purchase agreements for the production and sale of solar power. In the event that parts of the solar power system used for the production of solar power, for example solar panels which have a warranty period of 25 years, are defective and the Group's suppliers for such particular part fail to fulfil its product warranties by repairing or replacing such defective part at no cost, the Group may incur additional expense in the rectification of such defect. In such an event, the Group's business, financial condition, results of operations and prospects may be adversely affected.

The Group may be subject to risks of obsolescence of the technology relating to the Solar Power Business

The Group intends to implement mature technologies such as tested solar photovoltaic technology and top tier solar equipment as part of the Solar Power Business. In the event of any change or innovation in technologies utilised for the generation of solar power, there can also be no assurance that the Group will be successful in acquiring and/or picking up such expertise in the installation, operation and/or maintenance of such new technologies and/or equipment for the Solar Power Business. In the event of the advent of such new technologies, while the Group does not anticipate any impact to revenues and earnings in respect of any subsisting power purchase agreements during the term of such agreements, there is no assurance that the Group would be able to utilise its then existing technology and equipment upon the expiry of such agreements.

LETTER TO SHAREHOLDERS

To the extent that (a) there is any drop in demand for the technology and equipment used by the Group as part of the Solar Power Business; and (b) the Group is unable to acquire and/or obtain the requisite expertise to install, operate and maintain such new technology and/or equipment for the Solar Power Business, there may be a material adverse effect on the Group's business, financial condition and results of operations.

3.6 Management

The Group has recently engaged Mr Chua and Mr Lee who will be the main drivers of the Solar Power Business. With each of them having nearly two (2) decades of electrical engineering experience, they will provide the strategic vision and policy on the Solar Power Business, and together with the Board manage the Solar Power Business. In making any decision with regard to the Solar Power Business, the Board, will, where necessary and appropriate, seek the advice of reputable external consultants and professional advisers.

Both Mr Chua and Mr Lee are not related to any of the Directors or controlling Shareholder.

Mr Chua Kok Keong

Mr Chua was appointed in April 2015 as the Chief Executive Officer of Sinenergy, a subsidiary of Hetat Holdings, which is in turn a subsidiary of the Company. Sinenergy is engaged in the business of supply and installation of mechanical and electrical works (including solar photovoltaic systems).

Mr Chua is responsible for Sinenergy's overall management, including the formulation of business strategies, sales, marketing and daily operations. In respect of the Proposed Diversification, he is responsible for overseeing the integration of the Solar Power Business into the Group's operations. He has extensive experience in electrical, mechanical and solar energy projects.

Mr Chua started his career as a project supervisor in Ho Hup Electrical Engineering Pte Ltd between 1996 and 1998. From 1999 to 2001, he joined Daikin Air-conditioning (Singapore) Pte Ltd as a sales executive and then moved to Mitsubishi Electric Asia Pte Ltd as a senior sales engineer from 2002 to 2003. He left to serve as an assistant sales manager in Woo Kee Hong Marketing Pte Ltd until 2004.

Between 2004 and 2008, Mr Chua joined JSA Gulf Fze and was stationed in Dubai, United Arab Emirates as deputy general manager and was responsible for the trading of consumer electronic products to the Commonwealth Independent States as well as the Middle East and North Africa region. He was also responsible for achieving the company's monthly sales target, exploring new markets to penetrate in the Middle East region and overseeing the daily operations of the company.

Mr Chua was appointed as director of Clear Pte Ltd and PT Clear Energy from June 2008 to March 2015. His responsibilities in these companies included the design and installation of solar energy solutions, sourcing of renewable energy products and sales and marketing of energy-efficient lamps such as light-emitting diode lightings and induction lightings in Singapore and Indonesia.

LETTER TO SHAREHOLDERS

Through his appointment with Clear Pte Ltd and PT Clear Energy, Mr Chua was involved in several projects including (i) assisting the National Park Board of Singapore with the design and installation of two (2) zero energy parks using solar energy located at Jalan Haji Alias and Jalan Kemuning; (ii) designing the standalone solar CCTV for the Land Transport Authority of Singapore to continuously monitor the traffic conditions at the Keppel Flyover; (iii) helping the Republic Polytechnic of Singapore use solar power to build an integrated sustainable system of power generation and cooling using quarry water at Pulau Ubin; and (iv) designing and building a 200kW solar on grid system for a factory located at Tuas Avenue 13.

In addition to the above, Mr Chua participated in various residential solar projects by virtue of his appointment with Clear Pte Ltd and PT Clear Energy, including (i) a 5kW solar on grid system installed at Thomson Green; (ii) a 3kW solar on grid system installed at Siglap Road; and (iii) a 25kW solar on grid system installed on Good class bungalow located at Camden Park.

Mr Chua graduated with a Bachelor of Applied Science (Construction Management) from the RMIT University. He also holds various diplomas including a Diploma in Electrical Engineering from Ngee Ann Polytechnic, an advanced Diploma in Industrial Engineering from Ngee Ann Polytechnic and a Graduate Diploma in Psychology from the Management Development Institute of Singapore.

Mr Lee Kok Leong

Mr Lee was appointed in April 2015 as the Project Director of Sinenergy and is responsible for reviewing designs and assisting Mr Chua in liaising with the engineers and contractors engaged by Sinenergy for solar energy development. He has experience in electrical design and installation in Singapore and Malaysia.

Prior to joining the Group, Mr Lee was an electrician in Highness Electrical Engineering Pte Ltd from 1997 to 1999, and was a project supervisor in Belco Engineering Pte Ltd from 1999 to 2005. During his employment in these companies, Mr Lee was responsible for performing project supervision works and liaising with contractors and consultants relating to various electrical issues onsite, such as (i) wiring, routing and general troubleshooting technicalities; and (ii) coordinating with other subcontractors.

Mr Lee held the post of electrical engineer in Poh Siong Electrical Pte Ltd between 2005 and 2009, being responsible for project planning, site coordination, monitoring budgets, preventing cost overruns and ensuring timely completion of projects which include performing (i) electrical maintenance for Kranji Turf Club; and (ii) electrical works at UE Square.

From 2009 to 2014, Mr Lee operated a sole-proprietorship under the name of Jiunn Sub-Contractor. His responsibilities included managing daily operations of the company, sales, and project execution and management and installation of various solar power projects in Singapore.

During his time in Jiunn Sub-Contractor, Mr Lee was involved in several projects including (i) assisting the National Park Board of Singapore with the design and installation of two (2) zero energy parks using solar energy located at Jalan Haji Alias and Jalan Kemuning; (ii) helping the Republic Polytechnic of Singapore use solar power to build an integrated sustainable system of power generation and cooling using quarry water at Pulau Ubin; (iii)

LETTER TO SHAREHOLDERS

designing and building a 200kW solar on grid system for a factory at Tuas Avenue 13; (iv) building a lighting protection system at the Paya Lebar Air Base; (v) doing electrical wiring work for the Police Coast Guard of the Singapore Police Force; (vi) performing electrical works at Gardens by the Bay; and (vii) a residential project relating to a 10kW solar on grid system installed at Frankel Avenue.

The Board will continue to evaluate the manpower and expertise required for the Solar Power Business. The Group will hire qualified staff or in-house or external consultants and professional advisers as and when required in connection with the Solar Power Business.

3.7 Internal Control and Risk Management

The Board recognises the importance of internal control and risk assessment for the smooth running of the Group's business, including the Solar Power Business. In order to better manage the Group's external and internal risks resulting from the Proposed Diversification, the Group will implement a set of operations and compliance procedures.

The Board will review each new project prior to entering into any agreement. In evaluating new projects for the Solar Power Business, the Board will conduct risk and returns assessments and where the need arises, engage and consult professionals before a business decision is taken. The Board will also assess and consider, *inter alia*, (i) the internal rate of returns, cash flow and financial models of such a project; (ii) whether the Group has sufficient financial resources to invest in the project and the gearing ratios of the Group as a result of such a project; (iii) whether the management team has the relevant experience and expertise to manage such a project and whether any lack of such experience can be supplemented by professional advisors; and (iv) whether the project will be able to generate revenue for the Group and optimise risk-adjusted returns to Shareholders.

Additionally, the functions of the audit committee will be expanded to include (i) reviewing with the management, external and internal auditors of the adequacy and effectiveness of the Company's internal controls addressing financial, operational, information technology, compliance risks and risk management systems relating to the Solar Power Business; and (ii) commissioning and reviewing the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position. As and when projects are proposed to be undertaken in new jurisdictions, such projects will be reviewed by the audit and risk committee before being undertaken by the Group.

The Board will also review the internal control and risk management systems of the Company on a yearly basis to ensure that there are sufficient guidelines and procedures in place to monitor its operations. The scope of the annual internal audit will be extended to include the review and evaluation of specific matters arising from the Solar Power Business. The Board, together with the audit committee will also opine on an annual basis whether there are in place adequate controls within the Group addressing material financial, operational, information technology, compliance risks and risk management systems relating to the Solar Power Business as at the end of each financial year.

LETTER TO SHAREHOLDERS

3.8 Funding for the Solar Power Business

The Group intends to fund the Solar Power Business with internal resources and borrowings from financial institutions. As and when necessary and deemed appropriate, the Group may explore secondary fund raising exercises for purposes of funding its Large Scale Projects and/or Small Scale Projects by tapping into the capital markets including but not limited to rights issues, share placements and/or issuance of debt instruments.

Given that this is a new area of development of the Company, the Group will have an overall funding strategy to ensure that any projects that it undertakes will have the necessary funds available on such timelines in accordance with the requirements of such projects. The Group will determine the amount of financial institution borrowings it requires having regard to its overall funding strategy. At this juncture, the Group anticipates that it will undertake Small Scale Projects and Large Scale Projects with project costs of up to S\$2 million and S\$140 million respectively. However, the Group may embark on Large Scale Projects of greater value should they be commercially feasible. The Group will only commence on a project if it has or is able to raise the necessary funds in line with the Group's overall funding strategy.

To illustrate, in the event that the Group undertakes a Large Scale Project which requires funding of S\$100 million, the Group plans to leverage on financing from financial institutions for up to 70% of the project costs, with the remaining approximate amount up to S\$30 million to be financed by the Group through internal resources. For a Small Scale Project, the project shall be financed solely by the Group's internal resources.

As mentioned above, the Group may, when necessary and deemed appropriate, explore secondary fund raising exercises for purposes of funding its Large Scale Projects and/or Small Scale Projects by tapping into the capital markets including but not limited to rights issues, share placements and/or issuance of debt instruments. To the extent that such funds are raised for the Group's Large Scale Projects and/or Small Scale Projects, financing from financial institutions would not be required.

3.9 Disclosure of Financial Results of the Proposed Diversification

The Solar Power Business will be accounted for as new business segments in the Group's financial statements in line with the Singapore Financial Reporting Standards and accordingly, the Group will disclose the financial results of the Solar Power Business with the Group's financial statements. The financial results of the Solar Power Business together with the Group's segmented financial statements will be announced annually pursuant to the requirements as set out in Chapter 7 of the Listing Manual.

LETTER TO SHAREHOLDERS

4. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

The interests of the Directors and the controlling Shareholder as at the Latest Practicable Date are set out below:

	Direct Interest		Deemed Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
<u>Directors</u>				
Chew Hoe Soon ⁽³⁾	1,040,000	0.17	1,300,000	0.21
Ng Han Kok, Henry ⁽²⁾	–	–	108,395,353	17.52
Lim Siok Kwee, Thomas	–	–	6,020,575	0.97
Goh Koon Seng	130,000	0.02	–	–
Oh Eng Bin, Kenneth	–	–	–	–
Lee Kuo Cheun, David	–	–	–	–
Lee Gee Aik	–	–	–	–
<u>Controlling Shareholder</u>				
Teng Choon Kiat ⁽⁴⁾	–	–	158,505,600	25.63

Notes:

- (1) As a percentage of the issued share capital of the Company comprising 618,558,061 Shares (excluding 17,100,000 treasury shares) as at the Latest Practicable Date.
- (2) Mr Ng Han Kok, Henry is deemed interested in 36,259,527 Shares held by Maybank Nominees (Singapore) Private Limited, 32,017,000 Shares held by Phillip Securities Pte Ltd, 1,826,300 Shares held by OCBC Securities Private Limited, 38,042,526 Shares held by SBS Nominees Private Limited and 250,000 Shares held by his spouse, Mdm Ong Woo.
- (3) Mr Chew Hoe Soon is deemed interested in 1,000,000 Shares held by Singaport Cleanseas Pte Ltd and 300,000 Shares held by his spouse, Mdm Ng Guat Hoon.
- (4) Mr Teng Choon Kiat is deemed interested in 156,038,600 Shares held by CIMB Securities (Singapore) Pte Ltd and 2,467,000 Shares held by corporate shareholder wholly owned by him.

None of the Directors or the controlling Shareholder has any direct or indirect interest in the Proposed Solar Project and the Proposed Diversification other than through their respective shareholdings in the Company as disclosed above.

5. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page 36 of this Circular (“**Notice of EGM**”), will be held at 81 Tuas South Street 5, Singapore 637651 on 28 April 2016 at 11.00 a.m. (or immediately after the conclusion of an annual general meeting of the Company to be held on the same date at 10.00 a.m. prior to the EGM) for the purpose of considering and, if thought fit, passing with or without any modifications, the ordinary resolutions as set out in the Notice of EGM.

LETTER TO SHAREHOLDERS

6. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy or proxies to attend and vote on their behalf, will find enclosed with this Circular, a proxy form (the “**Proxy Form**”) which they are requested to complete, sign and return, in accordance with the instructions printed thereon, as soon as possible and, in any event, so as to arrive at the registered office of the Company at 81 Tuas South Street 5, Singapore 637651, not less than 48 hours before the time appointed for the holding of the EGM. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM in place of his proxy or proxies if he finds that he is able to do so.

7. DIRECTORS’ RECOMMENDATION

The Directors are of the opinion that the Proposed Solar Project and the Proposed Diversification are in the best interests of the Company and accordingly recommend that Shareholders vote in favour of the ordinary resolutions relating thereto to be proposed at the EGM as set out in the Notice of EGM on page 36 of this Circular.

8. DIRECTORS’ RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Solar Project, the Proposed Diversification and the Company and its subsidiaries and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

9. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 81 Tuas South Street 5, Singapore 637651 during normal business hours from the date hereof up to and including the date of the EGM:

- (a) the LOI;
- (b) the Deed of Undertaking; and
- (c) the constitution of the Company.

Yours faithfully
for and on behalf of the Board of Directors of
SHS Holdings Ltd.

Ng Han Kok, Henry
Executive Director and Group CEO

NOTICE OF EXTRAORDINARY GENERAL MEETING

SHS HOLDINGS LTD.

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

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of **SHS HOLDINGS LTD.** (the “**Company**”) will be held at 81 Tuas South Street 5, Singapore 637651 on 28 April 2016 at 11.00 a.m. (or immediately after the conclusion of an annual general meeting of the Company to be held on the same date at 10.00 a.m. prior to the Extraordinary General Meeting) for the purpose of considering, and if thought fit, passing, with or without modifications:

Unless otherwise defined or the context otherwise requires, all capitalised terms herein shall bear the same meaning as used in the circular dated 12 April 2016 issued by the Company (the “Circular”).

ORDINARY RESOLUTIONS

RESOLUTION 1 : THE PROPOSED DESIGN, CONSTRUCTION, OPERATION AND MAINTENANCE OF A SOLAR POWER PLANT OF 50MW CAPACITY TO BE OWNED BY HDFC SINPOWER LIMITED, A SUBSIDIARY OF THE COMPANY, AT SUTIAKHALI, MYMENSINGH DISTRICT, BANGLADESH

THAT:

- (a) approval be and is hereby given for the proposed design, construction, operation and maintenance of a solar power plant of 50MW capacity (“**Solar Power Plant**”) to be owned by HDFC SinPower Limited, a subsidiary of the Company, at Sutiakhali, Mymensingh District, Bangladesh (the “**Proposed Solar Project**”) on the terms and subject to the conditions set out in LOI and the Undertaking; and
- (b) the Directors or any of them be and are hereby authorised to exercise such discretion to complete and do all such acts and things, including without limitation, to sign, seal, execute and deliver all such documents and deeds, and to approve any amendment, alteration or modification to any document, as they or he may consider necessary, desirable or expedient or in the interest of the Company to give effect to the matters referred to in paragraph (a) of this resolution.

RESOLUTION 2 : THE PROPOSED DIVERSIFICATION OF THE EXISTING CORE BUSINESSES OF THE GROUP TO INCLUDE THE SOLAR POWER BUSINESS

THAT:

- (a) approval be and is hereby given for the proposed diversification of the Company and its subsidiaries’ existing core businesses (the “**Proposed Diversification**”) to include the solar power business (“**Solar Power Business**”), which comprises the:
 - (i) engineering, procurement and construction (“**EPC**”) of solar power systems for third parties;
 - (ii) leasing of solar power systems that the Group owns to third parties;
 - (iii) EPC of solar power systems for the sale of electric power produced by such solar power systems owned by the Group;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (iv) acquisition of solar power systems from third parties for the Group's operations for the sale of electric power produced by such solar power systems owned by the Group; and
- (v) sale of electric power produced by solar power systems owned by the Group; and
- (b) the Directors or any of them be and are hereby authorised to exercise such discretion to complete and do all such acts and things, including without limitation, to sign, seal, execute and deliver all such documents and deeds, and to approve any amendment, alteration or modification to any document, as they or he may consider necessary, desirable or expedient or in the interest of the Company to give effect to the matters referred to in paragraph (a) of this resolution.

BY ORDER OF THE BOARD

Ng Han Kok, Henry
Executive Director and Group CEO
12 April 2016

SHS HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 197502208Z)

IMPORTANT

1. For investors who have used their CPF monies to buy shares of SHS Holdings Ltd., this circular to shareholders dated 12 April 2016 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR THEIR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the Extraordinary General Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM FOR EXTRAORDINARY GENERAL MEETING

I/We* _____ (Name) _____ (NRIC/Passport No./
Company Registration no.) of _____ (Address)
being a member/members* of SHS Holdings Ltd. (the "Company") appoint

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

And/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing him/her, or either or both of the persons, referred to above, the Chairman of the Extraordinary General Meeting of the Company ("EGM") as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the EGM to be held at 81 Tuas South Street 5, Singapore 637651 on 28 April 2016 at 11.00 a.m. (or immediately after the conclusion of an annual general meeting of the Company to be held on the same date at 10.00 a.m. prior to the EGM) and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the ordinary resolution to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the EGM.

	For	Against
Ordinary Resolution 1 To approve the design, construction, operation and maintenance of a Solar Power Plant of 50MW capacity to be owned by HDFC SinPower Limited, a subsidiary of the Company, at Sutiakhali, Mymensingh District, Bangladesh.		
Ordinary Resolution 2 To approve the Proposed Diversification of the Existing Core Businesses of the Group to include the Solar Power Business.		

If you wish to use all your votes "For" or "Against", please indicate with an "X" within the box provided. Otherwise, please indicate the number of votes.

Dated this _____ day of _____ 2016

Total number of Shares held in:	No. of Shares
CDP Register	
Register of Members	

Signature of Shareholder(s)/
Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and also registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the shares held by you.
2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the meeting.
4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 81 Tuas South Street 5 Singapore 637651 not less than 48 hours before the time fixed for holding the meeting.
5. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy and if no proportion is specified, the first-named proxy shall be deemed to represent all of the shareholding and the second-named proxy shall be deemed to be an alternate to the first-named.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument of proxy may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Chapter 50.
9. The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies if the shareholder, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of processing and administration by the Company (or its agents) of proxies and representatives appointed for the meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.