

**PROPOSED DIVERSIFICATION OF THE CORE BUSINESSES OF THE GROUP TO INCLUDE
THE SOLAR POWER BUSINESS AND PROPOSED SOLAR PROJECT**

1. PROPOSED DIVERSIFICATION

- 1.1. The board of directors (the “**Board**”) of SHS Holdings Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Group intends to diversify the Group’s existing core businesses (“**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.
- 1.2. The Board also wishes to inform that :
- (a) the Company had earlier held an extraordinary general meeting on 27 August 2015 (“**Earlier Diversification EGM**”) to obtain approval of the shareholders of the Company (“**Shareholders**”) for the Proposed Diversification; and
 - (b) the resolution to approve the Proposed Diversification was not carried and that out of the total number of ordinary shares of the Company (“**Shares**”) represented by votes (311,981,228) at the Earlier Diversification EGM, 152,148,853 (48.77%) voted for and 159,832,375 (51.23%) voted against the Proposed Diversification.
- 1.3. The Proposed Diversification is expected to change the risk profile of the Group and as the Board still considers the Proposed Diversification to be in the best interest of the Company for the reasons as set out in the circular dated 11 August 2015 seeking approval of the Shareholders for the Proposed Diversification at the Earlier Diversification EGM, the Board shall be seeking approval of Shareholders for the Proposed Diversification..

2. SOLAR POWER PLANT PROJECT

- 2.1. On the premise as set out in paragraph 1.3 of this announcement, the Board had continued the evaluation of various opportunities in the Solar Power Business and has shortlisted the proposed design, construction, operation and maintenance of a solar power plant of 50MWp capacity (“**Solar Power Plant**”) at Sutiakhali, Mymensingh District, Bangladesh (the “**Proposed Solar Project**”).

Letter of Intent for Proposed Solar Project

- 2.2. Hetat Holdings Pte. Ltd. ("**Hetat Holdings**"), a wholly owned subsidiary of the Company has on 30 December 2015 accepted a letter of intent dated 21 December 2015 ("**LOI**") issued by the Bangladesh Power Development Board, a statutory body responsible for the generation and distribution of electricity mainly in urban areas of Bangladesh ("**BPDB**") to :
- (a) Hetat Holdings, a wholly owned subsidiary of the Company;
 - (b) Ditrolic (S) Pte. Ltd. ("**Ditrolic**"); and
 - (c) IFDC Solar Power (BD) Ltd. ("**IFDC**"),
- in respect of the Proposed Solar Power Plant Project.
- 2.3. 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 by Hetat Holdings, Ditrolic and IFDC ("**SPV**");
 - (b) the SPV, when incorporated, shall :
 - (i) enter into :
 - (A) a power purchase agreement ("**PPA**") with BPDB pursuant to which the 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, a rate of US\$0.17/kWh for a period of 20 years; and
 - (B) an implementation agreement ("**Implementation Agreement**") with the MPEMR pursuant to which the SPV shall construct the Solar Power Plant within 18 months from the later of date of execution of Implementation Agreement and the PPA,

on or before 19 January 2016 ("**Back Stop Date**"); and
 - (ii) provide a security deposit for the amount of US\$900,000 ("**Security Deposit**") to the BPDB no later than two (2) days prior to the date of executing the PPA (as defined below) and Implementation Agreement (as defined below); and
 - (c) a sum of US\$250,000 ("**Proposal Security**") is to be provided as a security fee to the BPDB; 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 the BPDB no later than two (2) days prior to the date of executing the PPA and Implementation Agreement; and
 - (ii) the duly executed PPA and Implementation Agreement are not furnished to BPDB on or before the Back Stop Date.
- 2.4. A shareholders' agreement is anticipated to be entered into between Hetat Holdings, Ditrolic and IFDC in respect of their shares in the SPV to govern their relationship as shareholders of the SPV ("**SHA**").

- 2.5. As at the date of this announcement, the Proposal Security has been paid to the BPDB by Hetat Holdings in the form of a bank guarantee ("**Hetat Bank Guarantee**").
- 2.6. As it is envisaged that the undertaking of the Proposed Solar Project, having an anticipated total development cost of US\$70 to US\$80 million and being the Group's first foray into the Solar Power Business, would change the risk profile of the Group, the undertaking of the Proposed Solar Project by the Group shall be conditional upon the approval of the same by the Shareholders at the EGM.

Deed of Undertaking

- 2.7. In connection and concurrent with the acceptance of the LOI by Hetat Holdings, Hetat Holdings has entered into a deed of undertaking dated 30 December 2015 ("**Undertaking**") with Ditrolic.
- 2.8. Pursuant to the Undertaking, in the event that the approval by the Shareholders for the Proposed Solar Project is not obtained at the EGM, Ditrolic agrees to :
 - (a) upon notification by Hetat Holdings of such failure to obtain such approval for the Proposed Diversification ("**Notification**"):
 - (i) 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 SHA, the PPA and the Implementation Agreement;
 - (ii) procure a bank guarantee of an amount equivalent to the Proposal Security to replace the Hetat Bank Guarantee;
 - (iii) use best endeavours to ensure that the Hetat Bank Guarantee is cancelled; and
 - (iv) 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 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
 - (b) within two 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 for the Proposed Diversification having been obtained, up to an aggregate maximum amount of US\$250,000.

3. EGM AND CIRCULAR TO SHAREHOLDERS

As stated in paragraph 1.3 and paragraph 2.6 of this announcement, the Company will seek the approval of the Shareholders for the Proposed Diversification and the Proposed Project at the EGM and a circular to Shareholders containing, *inter alia*, details thereof, together with a notice of the EGM in connection therewith, will be despatched to the Shareholders in due course.

4. CAUTIONARY STATEMENT

- 4.1 Shareholders should note that in the event the approval for the Proposed Project is obtained at the EGM, there is no assurance that the PPA and Implementation Agreement will be entered into by the Back Stop Date and even they are entered into, will be subject to conditions precedent to be fulfilled and there is no certainty that the Proposed Project will take place or be completed. The Company will make the necessary announcements when there are further developments on the Proposed Diversification, Proposed Project, the LOI, the PPA and the Implementation Agreement.
- 4.2 Shareholders are advised to exercise caution in trading their Shares and to read this announcement and any further announcements by the Company carefully. Shareholders should also consult their stockbroker, bank manager, solicitor or other professional adviser if they have any doubt about the actions that they should take.

By Order of the Board

Ng Han Kok, Henry
Group Chief Executive Officer

30 December 2015