

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

HUAN HSIN HOLDINGS LTD

Report on the Financial Statements

We have audited the accompanying financial statements of Huan Hsin Holdings Ltd (the “Company”) and its subsidiaries (the “Group”) which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2015, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 83.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the “Act”) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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HUAN HSIN HOLDINGS LTD**

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2015 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

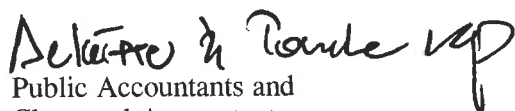
Emphasis of Matter

We draw attention to Note 1 in the accompanying financial statements which indicates that as at December 31, 2015, the Group's current liabilities exceeded its current assets by \$55,461,000 and the Group's capital deficiency amounted to \$65,038,000, and the Group and the Company recorded losses of \$56,913,000 and \$98,476,000 respectively for the financial year then ended. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt on the Group's and Company's ability to continue as going concerns. The preparation of the financial statements on a going concern basis is dependent on the successful completion of the shares subscription exercise as disclosed in Note 1.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.


Public Accountants and
Chartered Accountants
Singapore

March 23, 2016

HUAN HSIN HOLDINGS LTD AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

1 GENERAL

- a) The Company (Registration Number 199509142R) is incorporated in Singapore. The Company's principal place of business and its registered office at 3 Anson Road, #27-01 Springleaf Tower, Singapore 079909. The Company is listed on the mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). On March 11, 2016, the SGX-ST has granted the Company an extension of time of up to 12 months to 4 March 2017 to meet the requirements for removal from the Watch-List. The financial statements are expressed in Singapore dollars.
- b) The principal activities of the Company are investment holding and the provision of services to its subsidiaries. The principal activities of the associate and subsidiaries are disclosed in Notes 11 and 12 to the financial statements respectively.
- c) As at December 31, 2015, the Group's current liabilities exceeded its current assets by \$55,461,000 (2014 : net current assets of \$4,850,000) and the Group's capital deficiency amounted to \$65,038,000 (2014 : total equity of \$20,517,000), and the Group and the Company recorded losses of \$56,913,000 (2014 : \$91,609,000) and \$98,476,000 (2014 : \$16,870,000) respectively for the financial year then ended.
- d) On February 24, 2016, the Company entered into a subscription agreement with Oriental Straits Investment Limited ("Subscriber") and China Capital Impetus Investment Limited ("CCIIL"), pursuant to which the Company shall allot and issue up to 12,818,181,818 ordinary shares in the capital of the Company ("Subscription Shares") to the Subscriber in two tranches and up to 3,204,545,455 ordinary shares in the capital of the Company ("Option Shares") to CCIIL, at an issue price of \$0.022 per Subscription Share or Option Share, for an aggregate subscription amount of up to US\$250.0 million (equivalent to \$352.5 million, based on the exchange rate of US\$1.00:\$1.41 ("Agreed Exchange Rate")). The subscription is a fund-raising initiative by the Company to primarily (i) raise funds for investment, acquisition and diversification opportunities to generate additional sources of earnings; and (ii) facilitate the Company's effort and application to exit the watch-list.

Subject to the terms and conditions of the subscription agreement:

- (i) the Company agrees to allot and issue and the Subscriber agrees to subscribe for 1,818,181,818 Subscription Shares (the "Tranche 1 Subscription Shares") at the issue price of \$0.022 per Subscription Share for an aggregate consideration of US\$28,368,794 (equivalent to \$40,000,000, calculated at the Agreed Exchange Rate); and
- (ii) the Company agrees to allot and issue and the Subscriber has the right but not the obligation to subscribe for up to 11,000,000,000 Subscription Shares (the "Tranche 2 Subscription Shares") at the issue price of \$0.022 per Subscription Share for an aggregate consideration of up to US\$171,631,206 (equivalent to \$242,000,000, calculated at the Agreed Exchange Rate).

The Company also agrees to grant CCIIL the right but not the obligation to subscribe for a maximum of 3,204,545,455 Option Shares at the issue price of \$0.022 per Option Share in consideration for a maximum of \$70,500,000 (the "Option"), and CCIIL may exercise the Option by issuing to the Company a duly completed exercise notice (the "Exercise Notice") at any time and from time to time during the 12 month period commencing from the date of completing (d)(i) above.

HUAN HSIN HOLDINGS LTD AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

1 GENERAL (cont'd)

The allotment and issue of the Subscription Shares and the Option Shares are subject to, amongst others, the following:

- (i) approval of the shareholders at an extraordinary general meeting to be convened; and
- (ii) the Securities Industry Council of Singapore granting the Subscriber and its concert parties a waiver of the obligation to make a general offer under Rule 14 of the Singapore Code on Takeovers and Mergers.

At the date that the financial statements were authorised for issue, the Company has no concrete plans yet and is working with its advisers to explore its options. The validity of the going concern assumption depends on the receipt of the equity injections, which subject to fulfilment of certain condition precedents, may initially amount to US\$28,369,000 (approximately S\$40,000,000) and subsequently, up to US\$250,000,000 (approximately S\$352,500,000) as mentioned in (d) above, and the outcome of new business exploration, and further intentions and plans of the directors of the Company. According to their judgement, management believes that the Group and the Company should be able to operate as going concerns.

- e) At December 31, 2015, the Group had available \$48 million (2014 : \$76 million) of undrawn committed short-term borrowing facilities, subject to certain conditions being met. Management believes that the Group will be able to utilise these short-term borrowing facilities if required, and is also of the view that the Group will be able to continue to roll forward their existing banking facilities. In addition, there are no non-current borrowings of the Group approaching maturity within the next 12 months without realistic prospects of renewal or repayment, and there has been no breach of any covenants of the Group's non-current portion of the borrowings which may lead to a request for immediate payment.
- f) The above matters represents material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as going concerns, and therefore, they may be unable to realise their assets and discharge their liabilities in the normal course of business. Nevertheless, management is confident that the strategies in place to improve the operating performance and financial position of the Group and the Company will allow it to continue in operational existence for the foreseeable future. Hence, they continue to adopt the going concern assumption in preparing the accompanying financial statements.
- g) Accordingly, the accompanying financial statements did not include any adjustments relating to the realisation and classification of asset and liability amounts that may be necessary if the Group and the Company were unable to continue as going concerns. Should the going concern assumption be inappropriate, adjustments may have to be made to (i) reflect the situation that assets may need to be realised other than their carrying amounts; (ii) provide for further liabilities that might arise; and (iii) reclassify non-current assets and non-current liabilities as current. No adjustments have been made in the accompanying financial statements in respect of these.

HUAN HSIN HOLDINGS LTD AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

1 GENERAL (cont'd)

- h) The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2015 were authorised for issue by the Board of Directors on March 23, 2016.