

HUAN HSIN HOLDINGS LTD
(Company Registration No. 199509142R)
(Incorporated in the Republic of Singapore)

**RESPONSES TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED
ON CERTAIN INTERESTED PERSON TRANSACTIONS**

The Board of Directors (the “**Board**” or the “**Directors**”) of Huan Hsin Holdings Ltd (the “**Company**”, and together with its subsidiaries, the “**Huan Hsin Group**”) wishes to announce that the Company had received queries from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on certain interested person transactions involving the Huan Hsin Group and Da Hui Ltd (“**Da Hui**”, and together with its subsidiaries, the “**Da Hui Group**”) during the period from 2013 to 2018.

Da Hui is a company that is listed on the Taipei Exchange (TPEX). Mr Hsu Hung Chun and Mr Hsu Cheng Chien collectively own 76.88% of Da Hui’s shareholding and are its president and chief executive officer respectively. Both Mr Hsu Hung Chun and Mr Hsu Cheng Chien are also directors of the Company.

The Company wishes to respond to the SGX-ST’s queries as follows:

(Please see next page for further details on the Company’s responses)

Company's responses to the SGX-ST's queries on certain interested person transactions involving the Huan Hsin Group and the Da Hui Group

No.	SGX-ST Queries	Company's Responses
-	Please provide us with the Audit Committee's findings on the following:	-
(a)	From 2013 to 2018, were there transactions between the Huan Hsin Group and Da Hui?	<p>Yes, there were transactions between the Huan Hsin Group and the Da Hui Group from 2013 to 2018.</p> <p><u>Transaction history between the Huan Hsin Group and the Da Hui Group</u></p> <p>During 2013 to 2018, four subsidiaries in the Huan Hsin Group had entered into several transactions with the Da Hui Group. The four subsidiaries are:</p> <ol style="list-style-type: none"> (1) Shanghai Huan Hsin Electronics Co., Ltd ("SHH"); (2) Shandong Dong Hsin Electronics Co., Ltd ("SDDH"); (3) Shanghai Huan Yi Technology Co., Ltd., ("SHY"); and (4) Huan Hsin Co., (M) Sdn Bhd ("HHM"). <p><i>Note: SHY ceased to be a subsidiary of the Company on <u>11 October 2016</u> pursuant to a disposal to an independent third party. Please refer to page 98 of the annual report of the Company for FY2016, as well as the circular of the Company dated <u>9 September 2016</u> for further details.</i></p> <p>Please refer to <u>Appendix A</u> below for the shareholding structure of the Huan Hsin Group (including in particular the above four subsidiaries) as at the date of this announcement.</p> <p>The Da Hui Group entities that were involved in the transactions with the above four subsidiaries of the Huan Hsin Group from 2013 to 2018 are:</p> <ol style="list-style-type: none"> (1) Weihai Jinfu Electronics Limited ("Weihai Jinfu"); and (2) Huan Hsin Electrical System (M) SDN. BHD ("HHESM"). <p>Please refer to <u>Appendix B</u> below for the shareholding structure of the Da Hui Group subsidiaries (including in particular Weihai Jinfu and HHESM) as at the date of this</p>

		<p>announcement. The Audit Committee of the Company (“AC”) wishes to clarify that except for one transaction between HHM (a subsidiary of the Huan Hsin Group) and HHESM (a subsidiary of the Da Hui Group) (the “2018 HH & HHESM Transaction”), all other transactions between the Huan Hsin Group and the Da Hui Group during 2013 to 2018 comprised transactions between SHH, SDDH and SHY and Weihai Jinfu (collectively, the “HH & Weihai Jinfu Transactions”).</p> <p>Please refer to Appendix C for a breakdown of all of the transactions between the Huan Hsin Group and the Da Hui Group from 2013 to 2018 (the “Transactions”).</p>						
(b)	<p>From 2013 to 2018, was Da Hui an associate of the Company’s controlling shareholder as defined under the SGX Listing Rules?</p>	<p>Yes.</p> <p>From 2013 to 2018, the controlling shareholders of the Company, Mr Hsu Hung Chun (who is also Da Hui’s president) and Mr Hsu Cheng Chien (who is also Da Hui’s managing director) held and at the date of this announcement continue to hold 76.88% of the shareholding in Da Hui collectively.</p> <p>Accordingly, from 2013 to 2018, Da Hui was an associate of the Company’s controlling shareholders, as defined under the SGX Listing Rules.</p>						
(c)	<p>If interested person transactions had taken place between the Huan Hsin Group and Da Hui, please provide details of these transactions in the format as set out in Listing Rule 907.</p>	<p style="text-align: center;"><u>Transactions during FY2013</u></p> <table border="1" data-bbox="907 935 2029 1246"> <thead> <tr> <th data-bbox="907 935 1236 1153">Name of interested person</th> <th data-bbox="1236 935 1655 1153">Aggregate value of all interested person transactions during FY2013, (excluding transactions less than \$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920)</th> <th data-bbox="1655 935 2029 1153">Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than \$100,000).</th> </tr> </thead> <tbody> <tr> <td data-bbox="907 1153 1236 1246">Weihai Jinfu</td> <td data-bbox="1236 1153 1655 1246">S\$124,000</td> <td data-bbox="1655 1153 2029 1246">-</td> </tr> </tbody> </table> <p>Note: Please refer to Appendix C (see column for FY2013) for the breakdown of the interested person transactions for FY2013. In FY2013, none of the five interested person transactions exceeded \$100,000. However, in the interests of full and frank disclosure to shareholders, the Company has in this announcement disclosed and aggregated the value of all interested person transactions in FY2013</p>	Name of interested person	Aggregate value of all interested person transactions during FY2013 , (excluding transactions less than \$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than \$100,000).	Weihai Jinfu	S\$124,000	-
Name of interested person	Aggregate value of all interested person transactions during FY2013 , (excluding transactions less than \$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than \$100,000).						
Weihai Jinfu	S\$124,000	-						

(including those less than \$100,000) for shareholders' information.

Transactions during FY2014

Name of interested person	Aggregate value of all interested person transactions during FY2014 , (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000).
Weihai Jinfu	S\$198,000	-

Note: Please refer to **Appendix C** (see column for FY2014) for the breakdown of the interested person transactions for FY2014. In FY2014, none of the four interested person transactions exceeded \$100,000. However, in the interests of full and frank disclosure to shareholders, the Company has in this announcement disclosed and aggregated the value of all interested person transactions in FY2014 (including those less than \$100,000) for shareholders' information.

Transactions during FY2015

Name of interested person	Aggregate value of all interested person transactions during FY2015 , (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000).
Weihai Jinfu	S\$1,348,000	-

Note: Please refer to **Appendix C** (see column for FY2015) for the breakdown of the interested person transactions for FY2015. In FY2015, only two interested person transactions (out of six interested person transactions) exceeded \$100,000. However, in the interests of full and frank disclosure to shareholders, the Company has in this announcement disclosed and aggregated the value of all interested person transactions in FY2015 (including those less than \$100,000) for shareholders' information.

Transactions during FY2016

Name of interested person	Aggregate value of all interested person transactions during FY2016 , (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000).
Weihai Jinfu	S\$916,000	-

Note: Please refer to **Appendix C** (see column for FY2016) for the breakdown of the interested person transactions for FY2016. In FY2016, only two interested person transactions (out of four interested person transactions) exceeded \$100,000. However, in the interests of full and frank disclosure to shareholders, the Company has in this announcement disclosed and aggregated the value of all interested person transactions in FY2016 (including those less than \$100,000) for shareholders' information.

Transactions during FY2017

Name of interested person	Aggregate value of all interested person transactions during FY2017 , (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000).
Weihai Jinfu	S\$190,000	-

Note: Please refer to **Appendix C** (see column for FY2017) for the breakdown of the interested person transactions for FY2017. In FY2017, only one interested person transaction (out of two interested person transactions) exceeded \$100,000. However, in the interests of full and frank disclosure to shareholders, the Company has in this announcement disclosed and aggregated the value of all interested person transactions in FY2017 (including those less than \$100,000) for shareholders' information.

		<p style="text-align: center;"><u>Transactions during FY2018</u></p> <table border="1" data-bbox="913 320 2022 692"> <thead> <tr> <th data-bbox="913 320 1285 564">Name of interested person</th> <th data-bbox="1285 320 1675 564">Aggregate value of all interested person transactions during FY2018, (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)</th> <th data-bbox="1675 320 2022 564">Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000).</th> </tr> </thead> <tbody> <tr> <td data-bbox="913 564 1285 628">Weihai Jinfu</td> <td data-bbox="1285 564 1675 628">S\$102,000</td> <td data-bbox="1675 564 2022 628">-</td> </tr> <tr> <td data-bbox="913 628 1285 692">HHESM</td> <td data-bbox="1285 628 1675 692">S\$9,000</td> <td data-bbox="1675 628 2022 692">-</td> </tr> </tbody> </table> <p data-bbox="913 724 2022 863">Note: Please refer to Appendix C (see column for FY2018) for the breakdown of the interested person transactions for FY2018. In FY2018, none of the two interested person transactions exceeded \$100,000. However, in the interests of full and frank disclosure to shareholders, the Company has in this announcement disclosed and aggregated the value of all interested person transactions in FY2018 (including those less than \$100,000) for shareholders' information.</p>	Name of interested person	Aggregate value of all interested person transactions during FY2018 , (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000).	Weihai Jinfu	S\$102,000	-	HHESM	S\$9,000	-
Name of interested person	Aggregate value of all interested person transactions during FY2018 , (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000).									
Weihai Jinfu	S\$102,000	-									
HHESM	S\$9,000	-									
(i)	Were these transactions disclosed in the Company's annual reports?	<p data-bbox="913 927 2022 1015">Save for the 2018 HH & HHESM Transaction, the rest of the Transactions between the relevant Huan Hsin Group entities (namely, SHH, SDDH, and SHY) and Weihai Jinfu, i.e., the HH & Weihai Jinfu Transactions, were not disclosed in the Company's annual reports.</p> <p data-bbox="913 1046 2022 1166">The lapses in disclosure of the HH & Weihai Jinfu Transactions were wholly unintentional and largely due to several significant factors that ultimately resulted in the inadvertent oversight by various management personnel during the relevant period in which such transactions should have been disclosed.</p> <p data-bbox="913 1198 2022 1230">To elaborate, the factors that contributed to the inadvertent oversight include the following:</p> <p data-bbox="913 1262 2022 1374">(1) The Da Hui entity that was the party to all of the HH & Weihai Jinfu Transactions (i.e. Weihai Jinfu) has an entirely different name to that of Da Hui. As a result, the relevant accounting personnel in the Huan Hsin Group did not realise (and could not reasonably have known by taking Weihai Jinfu's name at face-value) that Weihai Jinfu was indeed</p>									

		<p>part of the Da Hui Group. Accordingly, this contributed significantly to why the HH & Weihai Jinfu Transactions were inadvertently left out of the Company's disclosures on interested person transactions entered into by the Huan Hsin Group in its annual reports during 2013 to 2018.</p> <p>(2) Frequent accounting staff turnover at SDDH's level during 2015 also contributed to the inadvertent lapses in disclosure by SDDH. For example, in 2015, SDDH had three (3) different accounting managers, each working for about three to four months. Further, as SDDH's frequent accounting staff turnover occurred during the period in which SDDH was winding down its operations and making disposals of its machinery and equipment (see Item 6 in Appendix C below for further details), the relevant disclosures pertaining to these relatively larger transactions as interested person transactions were inadvertently omitted.</p> <p>(3) Although Mr Hsu Hung Chun and Mr Hsu Cheng Chien are controlling shareholders as well as directors of both the Huan Hsin Group and the Da Hui Group, both groups operate entirely independent from one another. This contributed to why knowledge about the full and complete group structure of the Da Hui Group (with information listing Weihai Jinfu as an indirect wholly-owned subsidiary of Da Hui) was not readily available to the relevant accounting staff of the Huan Hsin Group, and eventually led to the inadvertent reporting omissions.</p>
(ii)	Please provide details of disclosures made.	<p>Save for the 2018 HH & HHESM Transaction, the Company did <u>not</u> make any disclosure of the HH & Weihai Jinfu Transactions (please see Items 1 to 7 of Appendix C below for further details on the HH & Weihai Jinfu Transactions).</p> <p><u>The 2018 HH & HHESM Transaction</u></p> <p>In 2018, HHM (a subsidiary of the Huan Hsin Group) entered into an interested person transaction for the lease of premises to HHESM (a subsidiary of the Da Hui Group), pursuant to a rental agreement dated 30 September 2018. The total duration of the lease to HHESM is for three years.</p> <p>The value of the transaction was S\$9,000 (comprising the rental income received from HHESM). Disclosure of this transaction was made on page 24 of the Company's annual report for FY2018.</p>

(iii)	Were these transactions previously reviewed by the Company's audit committee?	<p>Before the Company and the AC received the queries from the SGX-ST, the AC had only previously reviewed the HH & HHESM Transaction. While the AC had reviewed the quarterly financial statements of the Group during 2013 to 2018, the AC had not specifically reviewed the HH & Weihai Jinfu Transactions during this period. As elaborated in the AC's response to question (c)(i) above, this was mainly because the relevant management personnel of the Huan Hsin Group had inadvertently overlooked these transactions and therefore failed to report them to the AC for its review. This unfortunately resulted in the AC having <u>no knowledge</u> of the HH & Weihai Jinfu Transactions at the relevant time.</p> <p>The AC was <u>only</u> alerted to the HH & Weihai Jinfu Transactions when the Company received the queries on the relevant interested person transactions from the SGX-ST. The AC has since conducted a thorough review of the HH & Weihai Jinfu Transactions, and wishes to report the following:</p> <ol style="list-style-type: none"> (1) As the HH & Weihai Jinfu Transactions have already been completed and cannot be meaningfully reversed, there are no current or on-going risks arising from such past transactions; (2) There was no prejudice to the Shareholders of the Company as a result of the HH & Weihai Jinfu Transactions, whereby monies were only ever received by the relevant Huan Hsin Group subsidiaries in exchange for various goods, machinery and services provided to the Weihai Jinfu. Crucially, these comprised transactions entered into to support the business and operations of the Huan Hsin Group and were carried out in the best interests and in the ordinary course of business of the Huan Hsin Group. <p>For example, the AC refers to the two largest transactions of the HH & Weihai Jinfu Transactions (Items 5 and 6 of <u>Appendix C</u> respectively), namely:</p> <ol style="list-style-type: none"> (i) SDDH's leasing of factory premises to Weihai Jinfu from 2013 to 2018 (the "<u>Lease to Weihai Jinfu</u>"); and (ii) SDDH's disposal of machinery and equipment to Weihai in 2015 and 2016 (the "<u>Disposal to Weihai Jinfu</u>"). <p><u>Lease to Weihai Jinfu</u></p> <p>SDDH had arranged for the Lease to Weihai Jinfu from 2013 to 2018 to better utilize its</p>
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		<p>factory premises which had been suffering from poor operational efficiency. The AC's review of this transaction has found that (a) prior to SDDH's entering into the Lease to Weihai Jinfu, SDDH's management had made independent consultations with the Weihai Zhangcun Town Planning Bureau (威海市张村镇规划局) to determine an appropriate market price, and that (b) the resulting lease was ultimately transacted at market value. Further, SDDH's management had also successfully negotiated for Weihai Jinfu to cover all maintenance and repair costs for the decade-old factory premises during the period of the lease – a term that was especially in favour of SDDH as it did not have the funds for a repair budget during the period of the relevant lease.</p> <p><u>Disposal to Weihai Jinfu</u></p> <p>SDDH had arranged for the Disposal to Weihai Jinfu in view of SDDH winding down its operations in 2015 and 2016. The AC's review of this transaction, based on SDDH's internal records and book value, has found that the Disposal to Weihai Jinfu resulted in a gain on disposal (approximately S\$179,000 for the total disposals in FY2015, and S\$42,000 for FY2016).</p> <p>Based on the above, the AC is of the view that <u>there is objective evidence to conclude that such transactions were carried out entirely at arm's length basis, in the best interests of the Huan Hsin Group, and to no detriment to the Huan Hsin Group and/or the independent shareholders of the Company.</u></p> <p>Moving forward, the AC will ensure that the disclosures in relation to the HH & Weihai Jinfu Transactions will be made by the Company in accordance with the rules of the Listing Manual.</p>
(d)	How is HHESM connected to the Company?	<p>HHESM is an <u>indirect</u> wholly-owned subsidiary of Da Hui, and is <u>not</u> part of the Huan Hsin Group. Please refer to <u>Appendix B</u> below for further details.</p> <p>The only connection that HHESM shares with the Company is that Mr Hsu Hung Chun and Mr Hsu Cheng Chien are both directors and controlling shareholders of the Huan Hsin Group and Da Hui Group.</p>
(e)	In particular, if HHESM is not part of the Huan Hsin Group, why does it bear the name "Huan Hsin"?	<p>The name "Huan Hsin" is derived from a trademark: 『HHE 奐鑫』 (the English translation of which is "Huan Hsin"). This trademark is registered under Huan Hsin Co., Ltd, a company that Mr Hsu Hung Chun established in Taipei, Taiwan in 1980.</p>

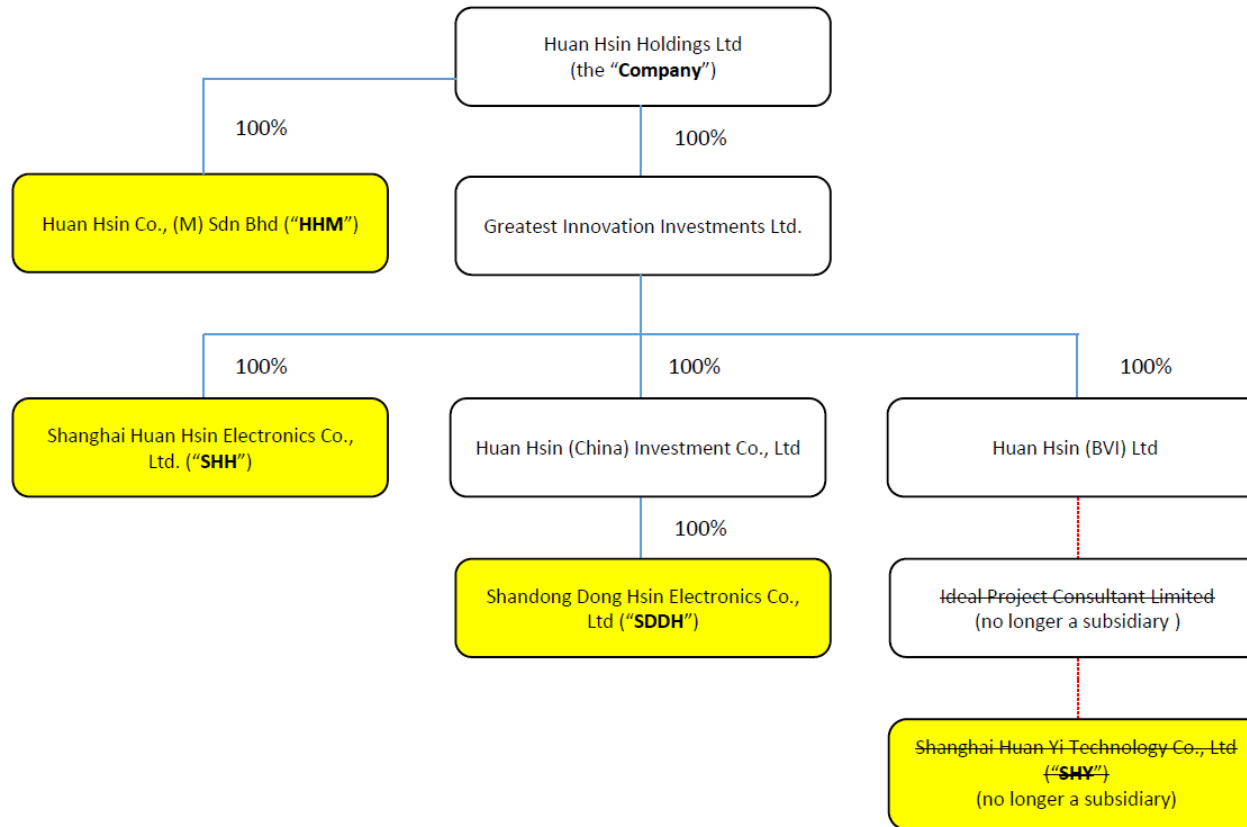
		<p>The “Huan Hsin” name is sometimes used in the names of companies established by Mr Hsu Hung Chun and/or other members of the Hsu family, mostly due to personal preference for the name.</p> <p>Although HHESM bears the “Huan Hsin” name, the AC wishes to stress that it is a <u>separate entity</u> that is entirely independent from the Huan Hsin Group.</p> <p>HHESM was formerly known as “Wide Channel Sdn. Bhd.” when it was incorporated in 1995. On 6 January 1996 (i.e., prior to the Company’s listing on the Mainboard of the SGX-ST in 1997), the company changed its name to “Huan Hsin Electrical System (M) SDN. BHD.”, which is its current name.</p>
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BY ORDER OF THE BOARD

Hsu Hung Chun
Chairman
14 October 2019

APPENDIX A

SHAREHOLDING STRUCTURE OF HHM, SHH, SDDH, SHY (HUAN HSIN GROUP SUBSIDIARIES)

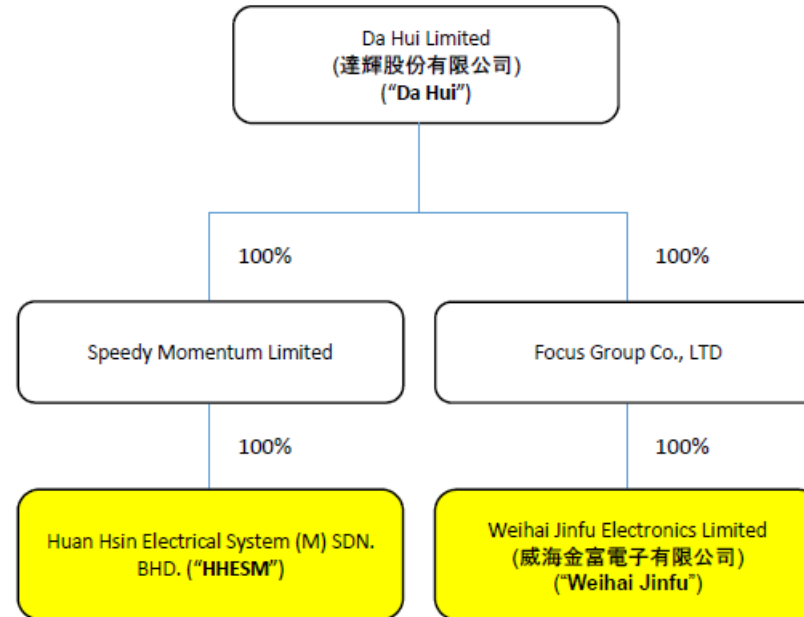


Notes:

- (1) The entities highlighted in yellow above (HHM, SHH, SDDH and SHY) were the Huan Hsin Group entities that had transactions with the Da Hui Group during 2013 to 2018.
- (2) SHY ceased to be a subsidiary of the Company on 11 October 2016 pursuant to a disposal of its immediate holding company, Ideal Project Consultant Limited, to an independent third party. Please refer to page 98 of the annual report of the Company for FY2016, as well as the circular of the Company dated 9 September 2016 for further details.

APPENDIX B

GRAPHICAL REPRESENTATION OF THE SHAREHOLDING STRUCTURE OF WEIHAI JINFU AND HHESM (DA HUI GROUP SUBSIDIARIES)



Note:

- (1) The entities highlighted in yellow above (HHESM and Weihai Jinfu) were the only Da Hui Group entities that had transactions with the Huan Hsin Group during 2013 to 2018.
- (2) There was only one transaction between HHESM and the Huan Hsin Group (the 2018 HH & HHESM Transaction) during 2013 to 2018. The value of the 2018 HH & HHESM Transaction was reported on page 24 of the Company's annual report for FY2018.

APPENDIX C

FURTHER BREAKDOWN OF THE TRANSACTIONS BETWEEN THE HUAN HSIN GROUP AND DA HUI GROUP FROM 2013 TO 2018

No.	Transactions	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
1	SHH sale of injection molded parts to Weihai Jinfu (funds received)	42	53	23	29	6	8
2	SDDH sale of injection molded parts to Weihai Jinfu (funds received)	1	42	2	1	-	-
3	SHH provision of mould repair services to Weihai Jinfu (funds received)	3	4	0.04	-	-	-
4	SDDH provision of mould repair services to Weihai Jinfu (funds received)	5	-	-	-	-	-
5	SDDH receipt of rental income from SDDH's annual lease of premises to Weihai Jinfu ("Lease to Weihai Jinfu") (funds received)	73	99	165	187	184	94
6	SDDH disposal of machinery and equipment to Weihai Jinfu (disposals made in view of SDDH shutting down operations) ("Disposal to Weihai Jinfu") (funds received)	-	-	1,085	699	-	-
7	SHY disposal of machinery and equipment to Weihai Jinfu (funds received)	-	-	73	-	-	-
8	Huan Hsin Co (M) Sdn Bhd receipt of rent from HHESM (funds received)	-	-	-	-	-	9
Aggregate value of Transactions between Huan Hsin Group and Da Hui Group for the financial year under review		124	198	1,348	916	190	111
Huan Hsin Group's net tangible assets ("NTA")		87,932	4,285	(65,038)	(69,742)	(81,786)	(74,696)
Transactions / NTA		0.14%	4.61%	(2.07%) ¹	(1.31%) ¹	(0.23%) ¹	(0.15%) ¹

Notes:

(1) The relative figure computed is negative and not meaningful due to the negative NTA of the Huan Hsin Group for the relevant financial year.