

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

DISPOSAL OF 100% OF THE EQUITY INTEREST IN SHANGHAI SONG YI INDUSTRY CO., LTD

1. INTRODUCTION

The board of directors of Huan Hsin Holdings Ltd (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that Shanghai Yi Hsin Industry Co., Ltd (“**SYH**”), a wholly-owned subsidiary of the Company, has on 19 September 2014 entered into a sale and purchase agreement (the “**SPA**”) with Shanghai Chenming Real Estate Development Co., Ltd (the “**Purchaser**”) for the disposal of 100% of the equity interest in Shanghai Song Yi Industry Co., Ltd (“**SSY**”) to the Purchaser (the “**Disposal**”).

2. INFORMATION ON SSY

SSY is a private company and was incorporated in Shanghai, the People’s Republic of China (the “**PRC**”) by SYH on 23 August 2013. It has an approved operating period of 50 years. As at the date of this announcement, SSY has an issued and paid up capital of RMB2 million. Under the terms of the SPA, SSY’s capital of RMB2 million is to be increased to RMB46 million by way of capitalisation of a RMB44 million loan advanced by SYH to SSY.

SSY is engaged in investment and owns the land use right over an area of 11,148 square metres located at Zhuan Qiao Town, Minhang District, Shanghai, PRC. The construction of a research and development centre and auxiliary units, consisting of nine blocks, on the land is at the final stage (collectively with the land use right, the “**Assets**”). The total building construction area is 12,670.37 square metres. SSY has no other investment aside from the Assets.

3. RATIONALE FOR THE DISPOSAL AND USE OF PROCEEDS

The Company was placed on the watch-list with effect from 5 March 2014. As part of its turnaround strategy, the Group is undertaking the Disposal to monetize its non-yielding assets and the proceeds from the Disposal will be used to increase its working capital.

4. CONSIDERATION FOR THE DISPOSAL

The consideration payable by the Purchaser to SYH for 100% of the equity interest in SSY under the SPA is RMB126,703,700 (approximately S\$26,176,984 based on the exchange rate of RMB1 to S\$0.2066 on 19 September 2014 (Source: Bloomberg)) (the “**Consideration**”) in cash.

The Consideration was determined based on arm's length negotiations between SYH and the Purchaser and was arrived at on a "willing buyer, willing seller" basis, after taking into account the following factors:

- (a) the building area of 12,670.37 square metres and consisting of nine blocks; and
- (b) the price of RMB10,000 per square metre, which is based on the land being industrial land and all nine blocks being under one land title.

The Consideration is to be paid as follows:

- (a) within 15 days from the date of the SPA, the Purchaser shall pay to SYH 70% of the Consideration; and
- (b) within 15 days from the date of the SPA, the Purchaser shall place the remaining 30% of the Consideration in an escrow account. The 30% of the Consideration held in escrow will be released to SYH as follows:
 - (i) 25% of the Consideration will be released within three days of SSY receiving the property ownership certificates in relation to the Assets; and
 - (ii) 5% of the Consideration will be released within 30 days of SSY receiving the property ownership certificates in relation to the Assets.

5. VALUE OF SSY

Based on the latest unaudited consolidated financial statements of the Group for the 6-month period ended 30 June 2014 (the "**6M2014 Results**"), the book value and net tangible asset value of SSY was S\$352,970. The book value and net tangible asset value of SSY after SSY's increase in capital from RMB2 million to RMB46 million is S\$9,196,970.

Based on the 6M2014 Results, the net loss attributable to SSY is S\$20,572.

Based on the book value of SSY of S\$9,196,970 after SSY's increase in capital from RMB2 million to RMB46 million, the Disposal will result in an excess over the book value and a gain on disposal of S\$16,980,014.

6. CHAPTER 10 OF THE LISTING MANUAL

Rule 1014 of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") provides that where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeds 20%, the transaction is

classified as a major transaction and requires the approval of shareholders of the Company (“**Shareholders**”) under Rule 1014 of the Listing Manual.

The relative figures for the Disposal computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases	Percentage (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group’s net asset value	0.63 ⁽¹⁾ / 16.50 ⁽²⁾
(b)	Net profits attributable to the assets acquired or disposed of, compared with the Group’s net profits	0.07 ⁽³⁾
(c)	Aggregate value of the consideration given or received, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares	344.43 ⁽⁴⁾⁽⁵⁾
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable ⁽⁶⁾
(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves	Not applicable ⁽⁷⁾

Notes:

- (1) Based on (i) the net asset value of SSY of S\$352,970 as at 30 June 2014, and (ii) the net asset value of the Group of S\$55,754,000 as at 30 June 2014.
- (2) Based on (i) the net asset value of SSY of S\$9,196,970 after SSY’s increase in capital from RMB2 million to RMB46 million, and (ii) the net asset value of the Group of S\$55,754,000 as at 30 June 2014.
- (3) Based on (i) the net loss of SSY of S\$20,572 for the 6 months ended 30 June 2014, and (ii) the net loss of the Group of S\$29,470,000 for the 6 months ended 30 June 2014.
- (4) Based on the consideration for the Disposal of approximately S\$26,176,984 and the market capitalisation of the Company calculated on the basis of 400,000,000 shares in issue (the “**Shares**”) as at the date of this announcement and the 1-day volume weighted average price of S\$0.019 for each Share on 18 September 2014, being the last market day on which Shares were traded immediately before the date of the SPA.
- (5) Pending the grant of building permission, the building area of 12,670.37 square metres may increase or decrease by about 50 to 100 square metres. This will result in a change to the consideration amount as the consideration is based on the building area. Assuming that the building area increases by 100 square metres, the relative figure calculated in accordance

with Rule 1006(c) of the Listing Manual will be 347.15%. Assuming that the building area decreases by 100 square metres, the relative figure calculated in accordance with Rule 1006(c) of the Listing Manual will be 341.72%.

- (6) Not applicable as the Disposal pertains to a disposal of assets.
- (7) Not applicable as the Disposal is not a disposal of mineral, oil or gas assets and the Company is not a mineral, oil and gas company.

As the relative figure computed on the basis set out in Rule 1006(c) of the Listing Manual exceeds 20%, the Disposal constitutes a major transaction under Chapter 10 of the Listing Manual and is therefore subject to the approval of the Shareholders at a general meeting of the Shareholders (or any adjournment thereof) (the “EGM”), unless waived or exempted by the SGX-ST.

7. WAIVER APPLICATION

The Company had made an application to the SGX-ST to seek a waiver (the “**Waiver**”) of the requirement to convene an EGM to seek Shareholders’ prior approval under Rule 1014(2) of the Listing Manual in connection with the Disposal.

The Waiver was sought to facilitate the Disposal on the following grounds:

(i) Disposal of Non-Core Asset

The Disposal is merely a disposal by the Group of a non-core asset as SSY and the Assets were held for investment purposes. The Group does not require SSY or the Assets for its operations. Additionally, the Disposal is in line with the Group's strategy of realising the value of its assets and strengthening its working capital in order to be removed from the watch-list.

(ii) No Change in Risk Profile

As the Disposal merely constitutes a divestment by the Group of a non-core asset, this will not affect the nature of its main business or result in a change in the risk profile of the Group.

(iii) Gain on Disposal

Based on the book value of SSY of S\$9,196,970 after SSY’s increase in capital from RMB2 million to RMB46 million and the consideration for the Disposal of approximately S\$26,176,984, the Disposal will result in a gain on disposal of S\$16,980,014.

(iv) Support from Major Shareholders

The major shareholders of the Company who are interested in an aggregate of approximately 37.98% of the share capital of the Company, namely Messrs Hsu Hung Chun, Hsu Cheng Chien, Hsu Chang Yu-Mei and Yang Yu-Lin, have agreed to irrevocably undertake that they and their respective affiliates/concert parties will, if an extraordinary general meeting is required, vote in favour of the Disposal.

Based on the above, the Company will be able to obtain commitments from its major shareholders interested in approximately 37.98% of its share capital to vote in favour of the Disposal, while a large block of its remaining share capital (approximately 51.65%) is held in the hands of public shareholders. As such, convening an extraordinary general meeting in relation to the Disposal will likely be an academic exercise and a drain on the Company's resources.

The major shareholders of the Company do not have any direct or indirect interest in the Disposal, except in their capacity as shareholders of the Company.

8. SGX-ST WAIVER

The Company is pleased to announce that on 18 September 2014, the SGX-ST had approved the Company's application for the Waiver, subject to the following conditions:

- (i) the Company announcing the Waiver granted, the reasons for seeking the Waiver and the conditions as required under Rule 107 of the Listing Manual; and
- (ii) submission of a written confirmation from the Company that the Waiver does not contravene any laws and regulations governing the Company and the articles of association of the Company.

The Company has provided a written confirmation dated 19 September 2014 to the SGX-ST pursuant to which the Company confirms that the Waiver does not contravene any laws and regulations governing the Company and the articles of association of the Company.

The Company will accordingly not be convening an EGM to seek Shareholders' prior approval in connection with the Disposal.

9. FINANCIAL EFFECTS OF THE DISPOSAL

The pro-forma financial effects of the Disposal, based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2013 ("FY2013"), are set out below. The pro-forma financial effects are presented for illustration purposes only, and

are not intended to reflect the actual future financial situation of the Group after completion of the Disposal.

Assuming that the Disposal had been completed on 1 January 2013, the effect of the Disposal on the Company's earnings per Share for FY2013 would have been:

	Before the Disposal	After the Disposal
Earnings/(loss) per Share (cents)	(18.81)	(14.56)

Note:

The above computation is based on the weighted average number of Shares of 400,000,000 for FY2013.

Assuming that the Disposal had been completed on 31 December 2013, the effect of the Disposal on the Company's net tangible assets ("NTA") per Share as at 31 December 2013 would have been:

	Before the Disposal	After the Disposal
NTA per Share (cents)	21.98	26.23

Note:

The above computation is based on 400,000,000 Shares as at 31 December 2013.

10. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Other than through their respective shareholdings in the Company, none of the directors and/or substantial Shareholders of the Company has any interest (direct or indirect) in the Disposal.

11. DIRECTORS' SERVICE CONTRACTS

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

12. DOCUMENTS FOR INSPECTION

A copy of the SPA is available for inspection by Shareholders during normal business hours at the registered address of the Company at 3 Anson Road, #27-01 Springleaf Tower, Singapore 079909, for a period of three months from the date of this announcement.

13. DIRECTORS' RESPONSIBILITY STATEMENT

The directors of the Company collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Disposal, the Company and its subsidiaries, and the directors of the Company are not aware of any facts the omission of which would make any statement in this announcement misleading.

Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the directors of the Company has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

BY ORDER OF THE BOARD

Hsu Hung Chun

Chairman

19 September 2014