

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

DISPOSAL OF 30% OF THE CAPITAL OF LI SHENG ELECTRONIC (KUNSHAN) CO., LTD

1. INTRODUCTION

The board of directors of Huan Hsin Holdings Ltd (the “**Company**”) wishes to announce that Huan Hsin (BVI) Limited (“**HHBL**”), a wholly-owned subsidiary of the Company, has on 16 June 2014 entered into a sale and purchase agreement (the “**SPA**”) with Sacred Success International Co., Ltd (the “**Purchaser**”) for the disposal of shares representing 30% of the capital of Li Sheng Electronic (Kunshan) Co., Ltd (“**LSE**”, and such shares the “**LSE Shares**”) to the Purchaser (the “**Disposal**”).

2. INFORMATION ON LSE

LSE is a private company and was incorporated in People’s Republic of China on 12 March 2002. As at the date of this announcement, LSE has an issued and paid up capital of US\$6,000,000.

LSE is in the business of fabrication of steel moulds for the notebook industry, and is currently 30% owned by HHBL.

3. RATIONALE FOR THE DISPOSAL AND USE OF PROCEEDS

One of the core businesses of the Company and its subsidiaries (the “**Group**”) is the production of notebook casings. As steel mould is one of the main resources required for the production of notebook casings, the acquisition by HHBL of 30% of the capital of LSE in 2007 was synergistic to the Group’s core business of notebook casing production. However, the Group is presently unable to exert any significant influence over LSE as HHBL owns only 30% of the capital of LSE, with the remaining 70% of the capital of LSE owned by one other shareholder, the Purchaser, who controls the day-to-day operations of LSE. The Purchaser is not a related party of the Group.

As such, the Group is undertaking the Disposal. The proceeds from the Disposal will be used by the Group to enhance its existing in-house capabilities to manufacture steel moulds for notebook computers.

4. CONSIDERATION FOR THE DISPOSAL

The consideration (the “**Consideration**”) payable by the Purchaser to the Company for the LSE Shares under the SPA is US\$3,500,000 in cash.

The Consideration was determined based on arm’s length negotiations between the Company and the Purchaser and was arrived at on a “willing buyer, willing seller” basis, after taking into account the dividend of US\$1,000,000 received by HHBL from LSE in 2010.

The Company will receive the Consideration within 30 days from the effective date of the SPA. The SPA shall come into effect upon (i) the execution by the authorised representatives of the parties to the SPA and (ii) the approval by the relevant authorities.

5. VALUE OF THE BUSINESS

Based on the latest unaudited consolidated financial statements of the Group for the 3-month period ended 31 March 2014, the book value of the LSE Shares was US\$3,000,000. Based on the latest unaudited financial statements of LSE for the 3-month period ended 31 March 2014, the net tangible asset value of the LSE Shares was S\$6,860,720.

There are no net profits attributable to the LSE Shares. The equity method of accounting is not applied in respect of the LSE Shares as the Group only owns 30% of the capital of LSE and is unable to exert significant influence over LSE.

The Consideration represents an excess of US\$500,000 over the book value and a gain on disposal of US\$500,000.

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	9.75 ⁽¹⁾

(b)	Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	Not applicable ⁽²⁾
(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	78.81 ⁽³⁾
(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 ⁽⁴⁾
(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 ⁽⁵⁾

Notes:

- (1) Based on (i) the net asset value of 30% of the capital of LSE of S\$6,860,720 as at 31 March 2014, and (ii) the net asset value of the Group of S\$70,348,000 as at 31 March 2014.
- (2) Not applicable as the Company is loss-making. Further, the equity method of accounting is not applied as the Group only owns 30% of the capital of LSE and is unable to exert significant influence over LSE.
- (3) Based on the consideration for the Disposal of US\$3,500,000 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\$0.014 for each Share on 13 June 2014, being the last market day on which Shares were traded immediately before the date of the SPA.
- (4) Not applicable as the Disposal pertains to a disposal of assets.
- (5) 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 Business

The Disposal is merely a disposal by the Group of a non-core asset for the following reasons:

(a) Inability to Exert Significant Influence over LSE

As mentioned above, the Group owns only 30% of the capital of LSE and is unable to exert any significant influence over LSE.

(b) Existing In-House Capabilities

Although LSE is in the business of fabrication of steel moulds which is required for the Group's business of notebook casing production, the Group has existing in-house capabilities for the manufacture of such steel moulds that are sufficient to meet its needs.

(ii) Organic Expansion of the Group's Core Business

The manufacture of steel moulds is an expansion of the Group's core business of notebook casing production. As mentioned above, the Group has existing in-house capabilities for the manufacture of steel moulds for notebook computers. The Group intends to utilise the proceeds from the Disposal to enhance such in-house capabilities to further expand its core business organically.

(iii) 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.

(iv) Profits from the Disposal

HHBL acquired 30% of the capital of LSE in 2007 for a cash consideration of US\$3,000,000. The consideration for the Disposal is US\$3,500,000, representing a profit of 16.67% on the Group's initial investment.

(v) 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 13 June 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 16 June 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)	(18.62)

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	22.13

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 deemed) 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
16 June 2014