

Huan Hsin Holdings Ltd (Company No.: 199509142R)

Second Quarter Financial Statement On The Consolidated Results For The Period Ended 30 June 2014

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY(Q1,Q2 & Q3),HALF YEAR AND FULL YEAR RESULTS

1. (a) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

GROUP INCOME STATEMENTS for the second quarter and the half year ended 30 June 2014

	Group			Group		
	3 months ended			6 months ended		
	30-06-14	30-06-13	Change	30-06-14	30-06-13	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	98,726	107,072	(8)	197,483	215,430	(8)
Other operating income	542	1,142	(53)	1,858	2,615	(29)
Changes in inventories of finished goods and work-in-progress	(4,213)	6,459	n.m.	(7,701)	2,435	n.m.
Raw material and consumables used	(53,998)	(64,351)	(16)	(110,582)	(125,092)	(12)
Employee benefits expenses	(26,322)	(25,766)	2	(52,239)	(48,868)	7
Depreciation and amortisation expense	(3,725)	(5,148)	(28)	(7,786)	(10,541)	(26)
Other operating expenses	(25,266)	(25,165)	0	(50,655)	(48,021)	5
Share of results of associate	(2)	20	n.m.	(21)	34	n.m.
Finance costs	(2,127)	(1,769)	20	(4,199)	(3,521)	19
Loss before income tax	(16,385)	(7,506)	118	(33,842)	(15,529)	118
Income tax	-	(3,867)	(100)	-	(4,158)	(100)
Loss for the period	(16,385)	(11,373)	44	(33,842)	(19,687)	72
Loss for the period attributable to:						
Equity holders of the Company	(14,344)	(10,173)	41	(29,470)	(17,517)	68
Non-controlling interests	(2,041)	(1,200)	70	(4,372)	(2,170)	101
Total	(16,385)	(11,373)	44	(33,842)	(19,687)	72

n.m. - not meaningful

Statement of Comprehensive Income for the second quarter and the half year ended 30 June 2014

	Group			Group		
	3 months ended			6 months ended		
	30-06-14	30-06-13	Change	30-06-14	30-06-13	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Loss for the period	(16,385)	(11,373)	44	(33,842)	(19,687)	72
Other comprehensive (loss) / income :						
Items that may be reclassified subsequently to profit or loss						
Exchange realignment of foreign entities	(485)	3,927	n.m.	(3,310)	7,933	n.m.
Total comprehensive loss for the period	(16,870)	(7,446)	127	(37,152)	(11,754)	216

Total comprehensive loss attributable to:

Equity holders of the Company	(14,594)	(6,193)	136	(32,178)	(11,274)	185
Non-controlling interests	(2,276)	(1,253)	82	(4,974)	(480)	936
Total	(16,870)	(7,446)	127	(37,152)	(11,754)	216

Notes:

(I) Revenue

	Group			Group		
	3 months ended			6 months ended		
	30-06-14	30-06-13	Change	30-06-14	30-06-13	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Sale of goods	96,653	106,915	(10)	195,289	215,059	(9)
Dividend income from available-for-sale investments	1,970	-	-	1,970	-	-
Interest income	103	157	(34)	224	371	(40)
Total	98,726	107,072	(8)	197,483	215,430	(8)

(II) Loss for the period is arrived at after crediting /(charging) the following:

	Group			Group		
	3 months ended			6 months ended		
	30-06-14	30-06-13	Change	30-06-14	30-06-13	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Gain on disposal of non-current assets classified as held for sale	-	-	-	828	-	-
Gain on disposal of property, plant and equipment	-	-	-	91	-	-
Reversal for stock obsolescence	-	1,109	(100)	-	1,109	(100)
Net foreign exchange adjustment gain / (loss)	643	(255)	n.m.	(1,537)	(651)	136
Depreciation and amortisation expense	(3,725)	(5,148)	(28)	(7,786)	(10,541)	(26)
Interest expenses	(2,127)	(1,769)	20	(4,199)	(3,521)	19
Provision for stock obsolescence	(745)	(545)	37	(2,459)	(545)	351
Research expenses	(11)	(159)	(93)	(63)	(358)	(82)

n.m. - not meaningful

1 (b)(i)

A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

STATEMENTS OF FINANCIAL POSITION as at 30 June 2014

	Group		Company	
	30-06-14	31-12-13	30-06-14	31-12-13
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets:				
Cash and bank balances	55,105	63,207	182	153
Trade receivables	120,221	174,652	-	-
Other receivables, deposits and prepayments	11,521	13,072	57,149	54,807
Inventories	86,165	103,531	-	-
Non-current assets classified as held for sale	640	2,049	-	1,409
Total current assets	273,652	356,511	57,331	56,369
Non-current assets:				
Associate	1,552	1,636	1,028	1,069
Subsidiaries	-	-	127,130	132,254
Available-for-sale investments	29,423	30,458	24,403	25,386
Deferred tax assets	514	535	-	-
Land use rights	12,361	12,966	-	-
Property, plant and equipment	126,626	133,258	-	-
Total non-current assets	170,476	178,853	152,561	158,709
Total assets	444,128	535,364	209,892	215,078
LIABILITIES AND EQUITY				
Current liabilities:				
Trade payables	104,842	136,456	-	-
Other payables and accruals	50,133	47,713	2,142	2,385
Borrowings	130,878	155,751	-	-
Income tax payable	1,221	1,212	1	2
Total current liabilities	287,074	341,132	2,143	2,387
Non-current liability:				
Borrowings	77,546	78,557	48,345	49,347
Capital, reserves and non-controlling interests:				
Share capital	151,097	151,097	151,097	151,097
Capital reserve	54,772	54,772	-	-
Translation reserves	(4,582)	(1,874)	(9,205)	(2,828)
Legal reserves	34,843	34,843	-	-
Accumulated (losses) / profits	(180,376)	(150,906)	17,512	15,075
Equity attributable to owners of the Company	55,754	87,932	159,404	163,344
Non-controlling interests	23,754	27,743	-	-
Total equity	79,508	115,675	159,404	163,344
Total liabilities and equity	444,128	535,364	209,892	215,078

1 (b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less , or on demand

As at 30-06-2014		As at 31-12-2013	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
(a) 36,017	48,685	(a) 37,177	71,758
(b) 46,176	-	(b) 46,816	-
Total 82,193	48,685	Total 83,993	71,758

Amount repayable after one year

As at 30-06-2014		As at 31-12-2013	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
(b) 62,400	15,146	(b) 63,265	15,292

(a) The short term loans are secured by subsidiaries' land use rights, buildings and pledged of trade receivables.

(b) A charge over all of the Group's present shares in:

- (i) Smart Idea Holdings Limited ("SIHL"), representing 16.84% of the issued share capital of SIHL; and
- (ii) Indeed Holdings Limited ("IHL"), representing 51% of the issued share capital of IHL.

1(c) **A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the period ended 30 June 2014

Operating activities:

Loss before income tax

Adjustments for:

Share of results of associate

Depreciation and amortisation expense

Gain on disposal of non-current assets classified as held for sale

Gain on disposal of property, plant and equipment

Allowance for inventories

Interest expense

Dividend income

Interest income

Operating cash flows before movements in working capital

Trade receivables

Other receivables and prepaid expenses

Inventories

Trade payables

Other payables

Cash generated from / (used in) operations

Income tax (paid) / refund

Interest paid

Interest received

Net cash generated from / (used in) operating activities

Investing activities:

Additions to property, plant and equipment

Deposit from disposal of available-for-sale investment

Dividend income received

Proceeds from disposal of property, plant and equipment

Proceeds from disposal of non-current assets held for sale

Net cash generated from / (used in) investing activities

Financing activities:

Decrease in short-term bank loans

Increase in other loans payable

Contribution from non-controlling interest

Dividends paid to non-controlling interests

Restricted cash

Net cash used in financing activities

Net effect of exchange rate changes in consolidating subsidiaries

Net decrease in cash and cash equivalents

Cash and cash equivalents at beginning of financial period

Effects of exchange rate changes on the balance of cash held in foreign currencies

Cash and cash equivalents at end of financial period

Note 1:

Cash and bank balances

Less: Restricted bank deposits

Cash and cash equivalents per cash flow statement

Group		Group	
3 months ended		6 months ended	
30-06-14	30-06-13	30-06-14	30-06-13
S\$'000	S\$'000	S\$'000	S\$'000
(16,385)	(7,506)	(33,842)	(15,529)
2	(20)	21	(34)
3,725	5,148	7,786	10,541
-	-	(828)	-
-	-	(91)	-
745	(564)	2,459	(564)
2,127	1,769	4,199	3,521
(1,970)	-	(1,970)	-
(103)	(157)	(224)	(371)
(11,859)	(1,330)	(22,490)	(2,436)
24,220	(8,252)	54,431	(7,450)
398	816	1,551	834
5,882	(9,395)	14,907	(3,579)
(9,970)	5,663	(31,614)	839
1,635	3,265	(1,926)	2,164
10,306	(9,233)	14,859	(9,628)
(28)	(792)	9	(820)
(2,127)	(1,769)	(4,199)	(3,521)
103	157	224	371
8,254	(11,637)	10,893	(13,598)
(2,475)	(2,484)	(5,270)	(4,867)
4,368	-	4,368	-
1,970	-	1,970	-
-	-	863	-
-	-	2,228	-
3,863	(2,484)	4,159	(4,867)
(23,352)	(18,925)	(31,633)	(20,908)
(1,305)	17,019	5,749	18,944
985	960	985	960
-	(2,065)	-	(2,065)
(200)	(5,514)	(23)	(7,369)
(23,872)	(8,525)	(24,922)	(10,438)
581	(1,867)	1,972	(1,911)
(11,174)	(24,513)	(7,898)	(30,814)
57,381	81,734	54,137	87,670
(195)	(128)	(227)	237
46,012	57,093	46,012	57,093
55,105	65,913	55,105	65,913
(9,093)	(8,820)	(9,093)	(8,820)
46,012	57,093	46,012	57,093

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

STATEMENTS OF CHANGES IN EQUITY for the period ended 30 June 2014

	Share capital	Capital reserve	Translation reserves	Legal reserves	Accumulated losses	Attributable to owners of the Company	Non-controlling interests	Total
Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 April 2014	151,097	54,772	(4,332)	34,843	(166,032)	70,348	25,045	95,393
Total comprehensive loss for the period	-	-	(250)	-	(14,344)	(14,594)	(2,276)	(16,870)
Contribution from non-controlling interest	-	-	-	-	-	-	985	985
Balance at 30 June 2014	151,097	54,772	(4,582)	34,843	(180,376)	55,754	23,754	79,508

Group								
Balance at 1 April 2013	151,097	54,955	(6,911)	34,217	(82,403)	150,955	37,943	188,898
Total comprehensive loss for the period	-	-	3,980	-	(10,173)	(6,193)	(1,253)	(7,446)
Transfer from accumulated profit	-	-	-	626	(626)	-	-	-
Effects of acquiring non-controlling interests in a subsidiary	-	(183)	-	-	-	(183)	(7,179)	(7,362)
Non-controlling interest arising from incorporation of a subsidiary	-	-	-	-	-	-	960	960
Dividends paid to non-controlling interest	-	-	-	-	-	-	(2,065)	(2,065)
Balance at 30 June 2013	151,097	54,772	(2,931)	34,843	(93,202)	144,579	28,406	172,985

	Share capital	Translation reserves	Accumulated profits	Total
Company	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 April 2014	151,097	(7,598)	15,404	158,903
Total comprehensive income for the period	-	(1,607)	2,108	501
Balance at 30 June 2014	151,097	(9,205)	17,512	159,404

Company				
Balance at 1 April 2013	151,097	(9,922)	14,771	155,946
Total comprehensive income for the period	-	4,674	(90)	4,584
Balance at 30 June 2013	151,097	(5,248)	14,681	160,530

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

There were no changes in the Company's share capital since the end of the previous period reported on
There were no outstanding convertible securities and employees' share options as at 30 June 2014 and 2013
As at 30 June 2014 and 2013, no shares were being held as treasury shares

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year**

The total number of issued shares as at 30 June 2014 and 31 December 2013 is 400,000,000 shares

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and / or use of treasury shares as at the end of the current financial period reported on**

Not applicable

- 2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice**

The figures have not been audited or reviewed by the Company's auditors

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)**

Not applicable

- 4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The same accounting policies and methods of computation have been applied in the financial statements as compared with the most recent audited annual financial statements.

- 5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

NIL

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

Loss per ordinary share for the period ended 30 June 2014

Loss per ordinary share for the financial period based on net loss attributable to the shareholders

	Group			
	3 months ended		6 months ended	
	30-06-14	30-06-13	30-06-14	30-06-13
	cents	cents	cents	cents
(i) Based on the weighted average number of ordinary shares on issue;	(3.59)	(2.54)	(7.37)	(4.38)
and				
(ii) On a fully diluted basis	(3.59)	(2.54)	(7.37)	(4.38)

Notes:

- (a) The loss per ordinary share for the financial period 3 and 6 months ended 30 June 2014 are calculated based on 400,000,000 (3 and 6 months ended 30 June 2013 : 400,000,000) ordinary shares issued
- (b) In June 2014 and 2013, there were no outstanding employees' share options

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year

Net asset value per ordinary share as at 30 June 2014

	Group			Company		
	30-06-14	31-12-13	Change	30-06-14	31-12-13	Change
	cents	cents	%	cents	cents	%
Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on	13.94	21.98	(37)	39.85	40.84	(2)

Note:

The net asset value per ordinary share for the financial period ended 30 June 2014 is calculated based on the issued share capital of 400,000,000 shares (31 December 2013: 400,000,000 shares)

A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors, and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Q2 2014 VS Q2 2013

Revenue

For the second quarter ended 30 June 2014 ("Q2 2014"), the Group revenue fell 8% to S\$98.7 million compared to the same quarter last year ("Q2 2013"). The decrease was the result of competition in the industry and the persistent decline in PC shipments.

Other operating income

Other operating income decreased by 53% from S\$1.1 million in Q2 2013 to S\$0.5 million in Q2 2014 mainly due to lower rental income and sundry income.

Raw material and consumables used

Changes in inventories of finished goods and work-in-progress

Cost of inventories was marginally higher from S\$57.9 million in Q2 2013 to S\$58.2 million in Q2 2014. The increase was mainly due to rising raw material costs and reversal for stock obsolescence of S\$1.1 million in Q2 2013.

Employee benefits expenses

Employee benefits expenses increased by 2% from S\$25.8 million in Q2 2013 to S\$26.3 million in Q2 2014 mainly due to the minimum wage policies in China and retrenchment costs. This is despite the reduced headcounts following the downsizing and closure of various subsidiaries.

Depreciation and amortisation expense

Depreciation and amortisation expenses decreased by 28% from S\$5.1 million in Q2 2013 to S\$3.7 million in Q2 2014 in line with the lower carrying value of the relevant assets.

Finance costs

Finance costs increased by 20% from S\$1.8 million in Q2 2013 to S\$2.1 million in Q2 2014 mainly due to higher interest rates.

Group Net Loss

As a result of the above, the Group loss attributable to equity holders of the company amounted to S\$14.3 million in Q2 2014 compared to net loss of S\$10.2 million in Q2 2013.

Review of Balance Sheet

The Group current assets were S\$273.7 million as at 30 June 2014 compared to S\$356.5 million as at 31 December 2013. The decline of S\$82.8 million was largely due to the following:

- i. Cash and bank balances decreased from S\$63.2 million as at 31 December 2013 to S\$55.1 million as at 30 June 2014 mainly due to the repayment of short term bank loans.
- ii. Trade receivable decreased from S\$174.7 million as at 31 December 2013 to S\$120.2 million as at 30 June 2014 mainly due to lower sales generated and efforts by management in debts collection.
- iii. Inventories declined from S\$103.5 million to S\$86.2 million due to lower inventory holdings and allowance for inventory obsolescence.

The Group current liabilities were lower by S\$54.0 million as at 30 June 2014 to S\$287.1 million from S\$341.1 million as at 31 December 2013. The decline was largely due to the following:

- i. Trade payable decreased from S\$136.5 million as at 31 December 2013 to S\$104.8 million as at 30 June 2014 due to lower purchases of raw material.
- ii. Other payables and accruals increased from S\$47.7 million as at 31 December 2013 to S\$50.1 million as at 30 June 2014. It was mainly due to the deposit received from disposal of available-for-sale investment amounted to S\$4.4 million.
- iii. Borrowings declined from S\$155.8 million as at 31 December 2013 to S\$130.9 million as at 30 June 2014. The decrease was mainly due to the repayment of short-term bank loans.

Review of Cash Flow Statement

The Group generated S\$8.3 million of net cash inflow from operating activities in Q2 2014 compared to S\$11.6 million of net cash outflow in Q2 2013.

Net cash generated from investing activities of S\$3.9 million in Q2 2014 was due mainly to the dividend income received amounting to S\$2.0 million and deposit received from disposal of available-for-sale investment amounting to S\$4.4 million, which was partially offset by routine replacement of the existing production equipment accessories amounting to S\$2.5 million.

Net cash used in financing activities of S\$23.9 million in Q2 2014 was mainly attributed to the repayment of short-term bank loans.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

There were no forecast or prospect statement disclosed to shareholders previously.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

As part of its turnaround strategy, Management has decided to cease operation of its two loss making subsidiaries in Shanghai and Shandong namely Shanghai Indeed Electronic Technology Co., Ltd and Shandong Dong Hsin Electronics Co., Ltd in July, 2014. It will continue to divest its other loss making subsidiaries where appropriate and to monetize and unlock the value of its assets to strengthen its working capital.

Operationally, the Group will continue to diversify its product mix away from PC business, and focus on improving gross margins, reducing costs and improving cash flow.

The Board cautions that the increasing manpower costs in China, stiff price competition and foreign currency movements would pose challenges for the Group in 2014.

- 11 Dividend**
(a) Current Financial Period Reported On
Any dividend declared for the current financial period reported on ?
None
- (b) Corresponding Period of the Immediately Preceding Financial Year**
Any dividend declared for the corresponding period of the immediately preceding financial year?
None
- (c) Date payable**
Not applicable
- (d) Books closure date**
Not applicable
- 12 If no dividend has been declared/recommended, a statement to that effect**
No dividend for the period ended 30 June 2014 is recommended or declared.
- 13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**
There are no recurrent interested person transactions in the current period
The Company does not have any interested person transaction mandate

BY ORDER OF THE BOARD

Hsu Hung Chun

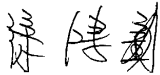
Chairman

Date : 6 August 2014

CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

We, Hsu Hung Chun and Hsu Cheng Chien being two directors of Huan Hsin Holdings Ltd (the “Company”), do hereby confirm on behalf of the directors of the Company that to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the second quarter 2014 financial statements to be false or misleading in any material aspect.

On behalf of the Board of Directors



Hsu Hung Chun
President



Hsu Cheng Chien
Managing Director

Date: 6 August 2014