

Third Quarter Financial Statement On The Consolidated Results For The Period Ended 30 September 2016

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 third quarter and the nine months ended 30 September 2016

	Group			Group		
	3 months ended			9 months ended		
	30-09-16	30-09-15	Change	30-09-16	30-09-15	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	13,233	40,413	(67)	44,195	116,819	(62)
Other operating income	5,032	1,605	214	3,027	17,809	(83)
Changes in inventories of finished goods and work-in-progress	(618)	(5,433)	(89)	(5,394)	(14,910)	(64)
Raw material and consumables used	(6,111)	(21,457)	(72)	(15,196)	(61,995)	(75)
Employee benefits expenses	(4,264)	(14,234)	(70)	(21,242)	(39,697)	(46)
Depreciation and amortisation expense	(1,217)	(1,498)	(19)	(3,127)	(5,015)	(38)
Other operating expenses	(8,744)	(12,513)	(30)	(26,083)	(41,848)	(38)
Share of results of associate	(77)	(50)	54	(300)	(172)	74
Finance costs	(1,232)	(1,591)	(23)	(3,928)	(5,033)	(22)
Loss before income tax	(3,998)	(14,758)	(73)	(28,048)	(34,042)	(18)
Income tax	-	6	(100)	-	270	(100)
Loss for the period	(3,998)	(14,752)	(73)	(28,048)	(33,772)	(17)
Loss for the period attributable to:						
Equity holders of the Company	(3,998)	(14,752)	(73)	(28,048)	(33,599)	(17)
Non-controlling interests	-	-	-	-	(173)	(100)
	(3,998)	(14,752)	(73)	(28,048)	(33,772)	(17)

Statement of Comprehensive Income for the third quarter and the nine months ended 30 September 2016

	Group			Group		
	3 months ended			9 months ended		
	30-09-16	30-09-15	Change	30-09-16	30-09-15	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Loss for the period	(3,998)	(14,752)	(73)	(28,048)	(33,772)	(17)
Other comprehensive income / (loss):						
Items that may be reclassified subsequently to profit or loss						
Exchange realignment of foreign entities	(2,573)	(5,633)	(54)	6,120	(8,561)	n.m.
Total comprehensive loss for the period	(6,571)	(20,385)	(68)	(21,928)	(42,333)	(48)

Total comprehensive loss attributable to:

Equity holders of the Company	(6,571)	(20,385)	(68)	(21,928)	(42,152)	(48)
Non-controlling interests	-	-	-	-	(181)	(100)
	(6,571)	(20,385)	(68)	(21,928)	(42,333)	(48)

Notes:

(I) Revenue

	Group			Group		
	3 months ended			9 months ended		
	30-09-16	30-09-15	Change	30-09-16	30-09-15	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Sale of goods	13,223	40,386	(67)	43,964	116,667	(62)
Interest income	10	27	(63)	231	152	52
Total	13,233	40,413	(67)	44,195	116,819	(62)

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

	Group			Group		
	3 months ended			9 months ended		
	30-09-16	30-09-15	Change	30-09-16	30-09-15	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Gain on disposal of subsidiary / non-current assets classified as held for sale	-	-	-	-	8,134	(100)
Gain on disposal of property, plant and equipment	837	-	-	837	-	-
Net foreign exchange adjustment gain / (loss)	3,772	747	405	(517)	4,137	n.m.
Interest expenses	(1,232)	(1,591)	(23)	(3,928)	(5,033)	(22)

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 September 2016

	Group		Company	
	30-09-16	31-12-15	30-09-16	31-12-15
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets:				
Cash and bank balances	5,861	19,046	286	1,129
Trade receivables	16,284	41,920	-	-
Other receivables, deposits and prepayments	2,672	5,663	54,764	56,546
Inventories	25,614	30,529	-	-
Non-current assets classified as held for sale	8,373	29	-	-
Total current assets	58,804	97,187	55,050	57,675
Non-current assets:				
Associate	953	1,322	-	1,113
Subsidiaries	-	-	50,243	24,306
Available-for-sale investments	24,708	25,565	-	24,471
Land use rights	5,457	7,662	-	-
Property, plant and equipment	27,221	40,888	-	-
Total non-current assets	58,339	75,437	50,243	49,890
Total assets	117,143	172,624	105,293	107,565
LIABILITIES AND EQUITY				
Current liabilities:				
Trade payables	13,571	28,564	-	-
Other payables and accruals	33,811	38,909	1,266	1,529
Borrowings	73,806	84,140	-	-
Income tax payable	604	1,035	-	-
Total current liabilities	121,792	152,648	1,266	1,529
Non-current liability:				
Borrowings	82,317	85,014	50,614	51,556
Capital, reserves and non-controlling interests:				
Share capital	151,097	151,097	151,097	151,097
Capital reserve	54,772	54,772	-	-
Translation reserves	(11,911)	(18,031)	219	3,544
Legal reserves	36,947	36,947	-	-
Accumulated losses	(317,871)	(289,823)	(97,903)	(100,161)
Equity attributable to owners of the Company	(86,966)	(65,038)	53,413	54,480
Non-controlling interests	-	-	-	-
(Capital deficiency) Total equity	(86,966)	(65,038)	53,413	54,480
Total liabilities and (capital deficiency) equity	117,143	172,624	105,293	107,565

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

Amount repayable in one year or less , or on demand

As at 30-09-2016		As at 31-12-2015	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
(a) 8,087	65,719	(a) 24,356	21,609
-	-	(b) 38,175	-
Total 8,087	65,719	Total 62,531	21,609

Amount repayable after one year

As at 30-09-2016		As at 31-12-2015	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
-	82,317	(b) 70,695	14,319

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

(b) The loans are secured through a charge over all of the Group's present shares in Smart Idea Holdings Limited ("SIHL"), representing 16.84% of the issued share capital of SIHL.

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 September 2016

	Group		Group	
	3 months ended		9 months ended	
	30-09-16	30-09-15	30-09-16	30-09-15
	S\$'000	S\$'000	S\$'000	S\$'000
Operating activities:				
Loss before income tax	(3,998)	(14,758)	(28,048)	(34,042)
Adjustments for:				
Share of results of associate	77	50	300	172
Depreciation and amortisation expense	1,217	1,498	3,127	5,015
Gain on disposal of subsidiary / assets held for sale	-	-	-	(8,134)
Gain on disposal of property, plant and equipment	(837)	-	(837)	-
Interest expense	1,232	1,591	3,928	5,033
Interest income	(10)	(27)	(231)	(152)
Operating cash flows before movements in working capital	(2,319)	(11,646)	(21,761)	(32,108)
Trade receivables	3,769	1,176	25,284	34,675
Other receivables and prepaid expenses	408	4,425	1,942	15,342
Inventories	1,165	7,575	4,915	19,511
Trade payables	(2,684)	(2,875)	(14,863)	(44,242)
Other payables	1,339	5,390	(3,388)	1,603
Cash generated from / (used in) operations	1,678	4,045	(7,871)	(5,219)
Income tax refund / (paid)	8	39	(101)	55
Interest paid	(1,232)	(1,591)	(3,928)	(5,033)
Interest received	10	27	231	152
Net cash generated from / (used in) operating activities	464	2,520	(11,669)	(10,045)
Investing activities:				
Proceeds from disposal of property, plant and equipment	879	-	879	3,200
Proceeds from disposal of subsidiary / asset held for sale	-	-	-	29,185
Proceeds from capital reduction by available-for-sale investment	-	1,399	-	1,399
Net cash from investing activities	879	1,399	879	33,784
Financing activities:				
Increase / (decrease) in other loans payable	5,251	-	8,357	(9,979)
Decrease in short-term bank loans	(3,832)	(7,949)	(16,269)	(15,155)
Capital reduction paid to non-controlling interests	-	-	-	(6,302)
Restricted cash	(2)	392	6,147	4,383
Net cash from / (used in) financing activities	1,417	(7,557)	(1,765)	(27,053)
Net effect of exchange rate changes in consolidating subsidiaries	(2,747)	(1,470)	5,637	(4,634)
Net increase / (decrease) in cash and cash equivalents	13	(5,108)	(6,918)	(7,948)
Cash and cash equivalents at beginning of financial period	5,793	19,352	12,818	22,101
Effects of exchange rate changes on the balance of cash held in foreign currencies	(26)	274	(120)	365
Cash and cash equivalents at end of financial period	5,780	14,518	5,780	14,518
Note 1:				
Cash and bank balances	5,861	24,022	5,861	24,022
Less: Restricted cash	(81)	(9,504)	(81)	(9,504)
Cash and cash equivalents per cash flow statement	5,780	14,518	5,780	14,518

- 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 September 2016

	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 July 2016	151,097	54,772	(9,338)	36,947	(313,873)	(80,395)	-	(80,395)
Total comprehensive loss for the period	-	-	(2,573)	-	(3,998)	(6,571)	-	(6,571)
Balance at 30 September 2016	151,097	54,772	(11,911)	36,947	(317,871)	(86,966)	-	(86,966)

Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 July 2015	151,097	54,772	(9,486)	36,947	(251,817)	(18,487)	-	(18,487)
Total comprehensive loss for the period	-	-	(5,633)	-	(14,752)	(20,385)	-	(20,385)
Balance at 30 September 2015	151,097	54,772	(15,119)	36,947	(266,569)	(38,872)	-	(38,872)

	Share capital	Translation reserves	Accumulated (losses) /profits	Total equity
Company	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 July 2016	151,097	(169)	(97,480)	53,448
Total comprehensive loss for the period	-	388	(423)	(35)
Balance at 30 September 2016	151,097	219	(97,903)	53,413

Company	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 July 2015	151,097	2,501	1,730	155,328
Total comprehensive income for the period	-	5,151	69	5,220
Balance at 30 September 2015	151,097	7,652	1,799	160,548

- 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 September 2016 and 2015

As at 30 September 2016 and 2015, 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 September 2016 and 31 December 2015 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 financial period based on net loss attributable to the shareholders

	Group		Group	
	3 months ended		9 months ended	
	30-09-16	30-09-15	30-09-16	30-09-15
	cents	cents	cents	cents
(i) Based on the weighted average number of ordinary shares on issue	(1.00)	(3.69)	(7.01)	(8.40)
(ii) On a fully diluted basis	(1.00)	(3.69)	(7.01)	(8.40)

Notes:

(a) The loss per ordinary share for the financial period 3 and 9 months ended 30 September 2016 are calculated based on 400,000,000 (3 and 9 months ended 30 September 2015 : 400,000,000) ordinary shares issued

(b) As at end of September 2016 and 2015, 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

	Group			Company		
	30-09-16	31-12-15	Change	30-09-16	31-12-15	Change
	cents	cents	%	cents	cents	%
Net (liabilities) / asset value per ordinary share based on existing issued share capital as at the end of the period reported on	(21.74)	(16.26)	34	13.35	13.62	(2)

Note:

The net (liabilities) / asset value per ordinary share for the financial period ended 30 September 2016 is calculated based on the issued share capital of 400,000,000 shares (31 December 2015: 400,000,000 shares)

- 8 **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**

Third Quarter ended 30 September 2016 ("Q3 2016")

Revenue

The Group revenue decreased by 67% to S\$13.2 million in Q3 2016 from S\$40.4 million in Q3 2015. The substantial decline in revenue was in line with the Group's on-going plan to shut down some of the loss making manufacturing plants.

Other operating income

Other operating income increased by 214% to S\$5.0 million in Q3 2016 from S\$1.6 million in Q3 2015, mainly due to a net foreign exchange gain of S\$3.8 million in Q3 2016.

Raw material and consumables used

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

Cost of inventories decreased substantially to S\$6.7 million in Q3 2016 from S\$26.9 million in Q3 2015 in line with the drastic drop in revenue.

Employee benefits expenses

Employee benefits expenses decreased by 70% to S\$4.3 million in Q3 2016 from S\$14.2 million in Q3 2015 due to lower manpower cost as the Group downsized and closed down some of the loss making plants.

Depreciation and amortisation expense

Depreciation and amortisation expenses decreased 19% to S\$1.2 million in Q3 2016 from S\$1.5 million in Q3 2015 due to the lower carrying value of the depreciable assets.

Other operating expenses

Other operating expenses (which include selling and distribution costs and manufacturing overheads) were lower by 30% to S\$8.7 million in Q3 2016 from S\$12.5 million in Q3 2015. This is in line with ongoing plan in downsizing loss making entities.

Finance costs

Finance costs decreased by 23% to S\$1.2 million in Q3 2016 from S\$1.6 million in Q3 2015 mainly due to the lower borrowings.

Group Net Loss

As a result of the above, the Group incurred a loss attributable to equity holders of the Company of S\$4.0 million in Q3 2016 compared to S\$14.8 million in Q3 2015.

Review of Balance Sheet

The Group current assets were S\$58.8 million as at 30 September 2016 compared to S\$97.2 million as at 31 December 2015. The decline was mainly due to the following:

- i. Cash and bank balances decreased from S\$19.0 million as at 31 December 2015 to S\$5.9 million as at 30 September 2016 mainly due to repayment of short-term borrowings and operation loss.
- ii. Trade receivable decreased from S\$41.9 million as at 31 December 2015 to S\$16.3 million as at 30 September 2016 due to collection and a lower sales volume.
- iii. Inventories declined from S\$30.5 million as at 31 December 2015 to S\$25.6 million as at 30 September 2016 in line with the reduced revenue.

The Group current liabilities decreased from S\$152.6 million as at 31 December 2015 to S\$121.8 million as at 30 September 2016. The decrease was largely due to following:

- i. Trade payable decreased from S\$28.6 million as at 31 December 2015 to S\$13.6 million as at 30 September 2016 due to lower purchases and payments made during the quarter.
- ii. Borrowings declined from S\$84.1 million as at 31 December 2015 to S\$73.8 million as at 30 September 2016 as a result of repayment of short-term borrowings.

The Group's non-current liabilities decreased from S\$85.0 million at 31 December 2015 to S\$82.3 million at 30 September 2016 mainly due to appreciation of the S\$ against US\$.

Going concern

The Group's current asset as at 30 September 2016 was S\$58.8 million and the Group's current liability as at 30 September 2016 was S\$121.8 million. This posts a going concern issue. However, Management remains confident that with the strategy in place to improve the operating and financial position of the Group through disposal of its non-performing assets and fund raising exercise in the pipeline, the Group can continue to operate as a going concern in the foreseeable future.

Review of Cash Flow Statement

Net cash generated from operating activities in Q3 2016 was S\$0.5 million. This was primarily due to lower loss and higher collection of receivable for this quarter.

Net cash from investing activities in Q3 2016 was S\$0.9 million. This was mainly due to proceeds from disposal of machineries and equipment.

Net cash from financing activities of S\$1.4 million in Q3 2016 was mainly due to increase in other loans payable.

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

Following a series of major restructuring exercises, the Group had adopted a two-pronged strategy of corporate restructuring to streamline operations and dispose non-performing assets to lower costs; reduce borrowings; and concurrently look into acquisition and diversification opportunities to generate additional earning streams.

As at 30 September 2016, the Group has closed six plants in Shanghai, Chongqing, Shandong and Malaysia. As part of its strategy, the Group has disposed another factory in Shanghai for RMB273.5 million to reduce its debt and increase working capital. As of today, the Group has received (i) the deposit from the escrow agent amounting to US\$3.8 million, and (ii) the second payment of US\$30.6 million, being the US Dollar equivalent of RMB204.0 million, from the buyer.

RHB had introduced two investors ("Oriental Straits Investment Limited" and China Capital Impetus Investment Limited") to the Group. The Company had signed a subscription agreement on 24 February 2016 with the investors for an aggregate subscription of up to US\$250 million (equivalent to S\$325.5 million) in tranches. This proposed subscription which is subject to shareholder's approval at an EGM to be called later, will provide funds for investment, acquisition and diversification opportunities to generate additional sources of earnings and facilitate the Company's efforts for exiting SGX's watch list.

It is noted that the Group is placed on the watch-list with effect from 5 March 2014. On 11 March 2016, the Singapore Exchange Securities Trading Limited ("SGX-ST") 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.

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/recommendeded, a statement to that effect

Not applicable

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

14 Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company has procured undertakings from all its directors and executive officers under Rule 720(1)

BY ORDER OF THE BOARD

Hsu Hung Chun

Chairman

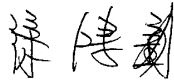
Date : 12 November 2016

Date: 12 November 2016

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 third quarter 2016 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