



USP Group Limited

To: Board of Directors
Huan Hsin Holdings Ltd
3 Anson Road
#27-01 Springleaf Tower
Singapore 079909

16 April 2015

Dear Sirs

**HUAN HSIN HOLDINGS LTD (THE "COMPANY")
STATEMENT PURSUANT TO SECTION 183(1)(b) OF THE COMPANIES ACT (Cap 50)**

We refer to the annual general meeting of the Company to be held on 24 April 2015 at 1 pm at Albizia Room 1, Level 2, Jurong Country Club, 9 Science Centre Road, Singapore 609078 ("**AGM**").

Pursuant to Section 183(1)(b) of the Companies Act (Cap 50), USP Group Limited (formerly known as Unionmet (Singapore) Limited), being a member of the Company holding 64,809,400 ordinary shares in the capital of the Company representing approximately 16.20% of the total issued share capital of the Company, hereby requisition ("**Requisition**") for the attached Statement by USP Group Limited ("**Statement**") to be circulated to all members of the Company prior to the date of the AGM, by way of:-

- (i) an immediate announcement to be made by the Company on the SGXNet, giving notice of the Requisition and attaching a copy of the Statement; and
- (ii) despatch of the Statement by post to all members of the Company to their last-known addresses as available in the Company's records, including members who have overseas addresses.

Accordingly, we are prepared to bear the reasonable expenses to be incurred by the Company in connection with the costs of complying with the Requisition.

Yours faithfully

For and on behalf of
USP Group Limited

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Statement by USP Group Limited pursuant to Section 183(1)(b) of the Companies Act (Cap 50) in relation to annual general meeting of Huan Hsin Holdings Limited (the "Company") on 24 April 2015 ("AGM")

Statement Made by:

USP Group Limited, a member of the Company holding 64,809,400 ordinary shares, representing 16.20% of the total issued share capital of the Company as at the date of this Statement ("**Dissenting Shareholder**").

Purpose of Statement

To notify the Company and members of the Company of the Dissenting Shareholder's intention to vote against the ordinary resolutions 1, 2, 3, 4 and 5 to be proposed at the AGM, and the special resolution 7 ("**Objections to Resolutions**"), and the reasons for objections.

Reasons for Objections

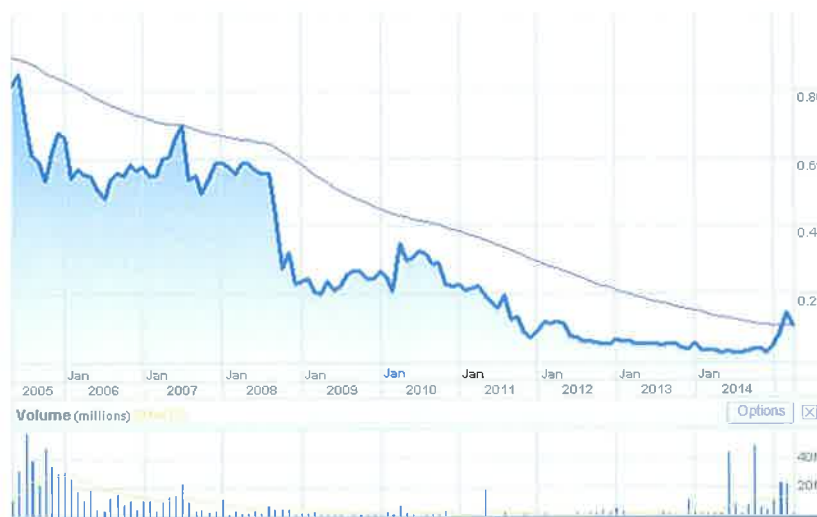
1. Poor performance of the Company and lack of clarity on future plans

Poor performance

As reported in the President's message in the Annual Report 2014, the Group incurred a net loss amounting to S\$79.0 million in FY2014 (FY2013:S\$ 75.2 million) and net loss per share increased to 19.74 cents in FY2014 (FY2013:18.81 cents). This continued poor financial performance has led to an erosion of the net assets of the Company, as illustrated below:

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net Asset Per Share (cents)	78.2	85.1	85.7	70.2	71.5	66.6	39.0	22.0	1.1

The share price of the Company has also fallen significantly over the last 8 years, from a high of \$0.70 in 2007 to \$0.02 in end 2014.



Watch-List

Due to the Company having suffered 3 consecutive years of losses and a market capitalisation of less than S\$40 million, the Company was placed on the Watch-List on 5 March 2014. If the Company is unable to either return to profitability or market capitalisation by **5 March 2016**, it may be removed from the Main Board by the SGX-ST.

Future Plans

In the President's message, the Group undertook restructuring exercises in FY2014 involving, *inter alia*, the cessation of operations of certain subsidiaries and disposal of assets and subsidiaries to "monetize some of the Group's non-yielding assets so that the proceeds can be used to *improve working capital and reduce bank borrowings*". He also states that the net proceeds from the proposed disposal ("**Proposed Disposal**") of 51% of Indeed Holdings Limited will be used "to reduce borrowing, reduce interest expenses and increase working capital for the Group's core business of notebook casing production"¹.

The Dissenting Shareholder notes that the directors and management of the Company have not tangibly elaborated or clarified how pumping additional resources into the Group's current PC business will facilitate the Company's return to profitability. Conversely, the Dissenting Shareholder is of the view that the disposed Shanghai properties had unrecognised value and redeveloping them could have reaped sizeable developmental profits to the Group.

As the President himself noted, there is unlikely to be a strong demand for PCs in the foreseeable future² and given that the Company **has less than a year to meet the SGX-ST deadline for removal from the Watch-List**, there is a high risk that the Company may not be able to meet the requirements for removal from the Watch-List based on its current strategy.

2. Remuneration of the Board not aligned with performance of the Company

Looking at the remuneration of the Board below, the Directors are getting similar remuneration in FY2014 as compared to FY2013. This is despite the increased losses suffered by shareholders and the unsatisfactory performance of the Company:

Directors	Salary(%) (FY2014)	Bonus(%) (FY2014)	Director Fees(%)	FY2013(\$)	FY2014(\$)
Hsu Hung Chun	95 (FY2013: 95)	5 (FY2013: 95)	-	432,836	435,204
Hsu Cheng Chien	95 (FY2013: 95)	5 (FY2013: 95)	-	432,836	435,204
Lim Hock Beng	-	-	100	80,000	80,000
Lau Ping Sum, Pearce	-	-	100	70,000	70,000
Chew Heng Ching	-	-	100	70,000	70,000
Hsu Ming Hung	86 (FY2013:81)	14 (FY2013:19)	-	85,455	80,153
Chang Shih Hsing	93 (FY2013:93)	7 (FY2013:7)	-	83,293	83,630

3. Composition of the Board and management

There is a prevalence of family members related to the President in the Company at both the Board level and the management. At the Board level, Hsu Hung Chun and Hsu Cheng Chien are brothers, Hsu Ming Hung is their nephew and Chang is the brother-in-law of Hsu Hung Chun. At the management level, the wife of Hsu Cheng Chien, sister of Chang Shih Hsing and brother of Hsu Ming Hung are all employees of the Company.

¹ Circular to Shareholders dated 9 April 2015.

² Gartner predicted in Jan 2015 PC market to grow from 318 mil units (FY2014) to 321 mil units (FY2015) to 333 mil units (FY2016) (source: <http://www.gartner.com/newsroom/id/2954317>) or less than 3% growth year on year.

Separately, the Independent Directors have each served on the Board for more than 10 years, as follows:

- Lim Hock Beng, 18 years
- Lau Ping Sum, Pearce, 18 years
- Chew Heng Ching, 11 years

The Dissenting Shareholder is of the opinion that in view of the foregoing, a Board renewal may be timely (as also encouraged under the 2012 Code of Corporate Governance).

4. Follow up actions for consideration

The Dissenting Shareholder would like to urge:

- 4.1 the Board to set up a special independent committee to:-
 - (i) review the viability of the Group's existing core business and/or new businesses with a view to facilitating the removal of the Company from the Watch-List by 5 March 2016; and
 - (ii) pending the completion of the review, to monitor and supervise the use of proceeds received from the sale of assets and subsidiaries (including the proceeds from the Proposed Disposal).
- 4.2 the Nominating Committee and the Board to review and reconsider the composition of the Board and the management of the Company, including whether there is a strong independent element on the Board acting in the interest of its shareholders.
- 4.3 the Remuneration Committee and the Board to review the remuneration structure and terms applicable to all the Directors and senior management of the Company, including any fixed and variable components.



Signed by **USP Group Limited**
(enquiries@uspgroup.com.sg)