

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

**PROPOSED DISPOSAL OF THE ENTIRE ISSUED AND OUTSTANDING SHARE CAPITAL OF
IDEAL PROJECT CONSULTANT LIMITED**

1. INTRODUCTION

The board of directors of Huan Hsin Holdings Ltd (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that Huan Hsin (BVI) Limited (the “**Seller**”) and Greatest Innovation Investments Ltd. (the “**Guarantor**”), wholly-owned subsidiaries of the Company¹, have on 20 July 2016 entered into a conditional share purchase agreement (the “**SPA**”) with Link JV Holdings Limited (the “**Buyer**”, and together with the Seller and the Guarantor, the “**Parties**”), pursuant to which the Seller shall sell the entire issued and outstanding share capital of Ideal Project Consultant Limited (the “**Target Company**”) to the Buyer (the “**Proposed Disposal**”).

2. INFORMATION RELATING TO THE TARGET COMPANY AND THE BUYER

2.1 Information on the Target Company

The Target Company is a company limited by shares incorporated in the British Virgin Islands (the “**BVI**”) on 2 January 2015. It has an issued share capital of US\$13,612,325, consisting of 13,612,325 ordinary shares currently held by the Seller (the “**Sale Shares**”). The Target Company is the direct legal and beneficial owner of Shanghai Huan Yi Technology Co., Ltd. (上海奐亿科技有限公司) (the “**WFOE**”), a wholly foreign owned enterprise established under the laws of the People’s Republic of China (the “**PRC**”). The WFOE was incorporated on 28 December 2001 and has a registered capital of US\$14,000,000.

The WFOE directly owns the land use rights with respect to an industrial land parcel and the improvements thereon, located at No. 1288 and No. 1290, Zhongchun Road, Minhang District, Shanghai, the PRC, with a land area of 80,284 square metres, which includes (i) certain factory buildings and other buildings, with a total construction area of 66,947.63 square metres, and (ii) the land use rights pertaining to the properties described in item (i) (collectively, the “**Property**”). The land use rights have a term of 50 years, from 17 October 2002 to 16 October 2052.

An independent property valuer, DTZ Debenham Tie Leung Limited (“**DTZ**”), was

¹ The Seller is a wholly-owned subsidiary of the Guarantor, which is in turn a wholly-owned subsidiary of the Company.

commissioned by the Company to value the Property. Based on the valuation report prepared by DTZ, the valuation of the Property was RMB229 million (or approximately S\$46 million²) as at 13 April 2016, derived using the depreciated replacement cost approach.

2.2 Information on the Buyer

The Buyer is a company limited by shares incorporated in the British Virgin Islands on 21 June 2016. The Buyer approached the Seller independently and is not a related party of the Group.

3. RATIONALE FOR THE PROPOSED DISPOSAL AND USE OF PROCEEDS

The Company was placed on the watch-list with effect from 5 March 2014. On 11 March 2016, the Singapore Exchange Securities Trading Limited (the “**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. As part of its turnaround strategy, the Group is undertaking the Proposed Disposal to monetize its non-yielding assets and the proceeds from the Proposed Disposal will be used to increase its working capital and repay existing debt.

4. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

4.1 Sale and Purchase of Shares

Subject to the terms and conditions of the SPA, the Seller shall sell and transfer all of its rights, title, benefits and interests in the Sale Shares to the Buyer, and the Buyer shall acquire, assume and receive all of the Seller’s rights, title and interests in and to the Sale Shares from the Seller, free of any encumbrance.

4.2 Consideration

The aggregate consideration payable for the Sale Shares is RMB274,441,577.06 (the “**Consideration**”). The aggregate consideration that the Seller is entitled to receive for the Sale Shares after deducting the estimated withholding tax of RMB18,604,859.91, is RMB255,836,717.15 (the “**Net Consideration**”). The Consideration and the Net Consideration will be adjusted based on the current assets and total liabilities as at the date of closing (the “**Closing Date**”) of the Proposed Disposal (the “**Final Net Consideration**”). The Consideration was determined based on arm’s length negotiations between the Seller and the Buyer and was arrived at on a “willing buyer, willing seller” basis, after taking into account the independent valuation of the Property of RMB229 million as at 13 April 2016.

² Based on an exchange rate of RMB1 to S\$0.2013.

4.3 Payment of Consideration

4.3.1 Deposit into Escrow Account

For the purposes of this announcement, “**Business Day**” means a day other than Saturday and Sunday on which the banks in the PRC, Hong Kong and the BVI are generally open for business.

Within ten (10) Business Days of the date of the SPA, the Buyer shall deposit an amount equal to RMB25,500,000 (the “**Deposit**”) in US Dollars, into an escrow account in Singapore (the “**Escrow Account**”) held by the escrow agent (the “**Escrow Agent**”).

Subject to closing of the Proposed Disposal (“**Closing**”) taking place, the Deposit shall be converted into a part of the Consideration and shall be applied toward the payment of the Consideration in accordance with the terms of the SPA.

4.3.2 Payment of the Second Payment

Subject to the completion of the pre-closing arrangements in accordance with the SPA and confirmation by the Buyer that all conditions precedent have been satisfied or waived, the Buyer shall, on or before 10:00 am (Beijing time) on the Closing Date, cause (i) the Escrow Agent to release the Deposit via telegraphic transfer to the Seller’s bank account and (ii) initiate a telegraphic transfer equal to the US Dollar equivalent of RMB204,753,045.43 to the Seller’s bank account.

4.3.3 Holdback Amount

During the first twelve (12) month period after the Closing Date (the “**Holdback Period**”), the Buyer shall be entitled to retain an amount equal to the US Dollar equivalent of ten percent (10%) of the Final Net Consideration (the “**Holdback Amount**”) to apply or deduct any outstanding liabilities, claims, indemnities, penalties, impositions, or payables incurred by the Target Company or the WFOE in connection with any event or matter that occurs on or prior to the Closing Date (if any). For the avoidance of doubt, prior to the date that the Final Net Consideration has been determined, the Holdback Amount shall be ten percent (10%) of the Net Consideration (i.e., RMB25,583,671.72), which amount shall be subject to adjustment in accordance with the SPA.

Upon the Seller’s written request, the Buyer and the Seller shall, within ten (10) Business Days after the expiration of the Holdback Period, confirm the remaining balance of the Holdback Amount (after deducting the amounts set forth in the paragraph above), and, within ten (10) Business Days upon such confirmation, the Buyer shall transfer the agreed

amount (if any) to the bank account designated by the Seller in writing, failing which, the Buyer shall be required to pay the Seller interest from (and including) the due date until (but excluding) the actual date of payment at a daily interest rate of 0.03%, plus all reasonable attorney's fees as well as disbursements incurred by the Seller in connection with the collection of such amount. Any question which either the Buyer or the Seller may have with respect to the remaining balance of the Holdback Amount that is not otherwise mutually agreed between the Buyer or the Seller shall be resolved in accordance with the dispute resolution clause as provided in the SPA. The Buyer agrees that each of the Target Company, the WFOE and the Property shall not be transferred until the remaining balance of the Holdback Amount is mutually agreed upon by the Buyer and the Seller, or is determined in an arbitration proceeding conducted in accordance with the SPA.

4.4 Conditions Precedent

Under the terms of the SPA, Closing is subject to, *inter alia*, the satisfaction (or waiver, as applicable) of each of the following conditions on or before the Closing Date:

- (a) the Seller shall have delivered to the Buyer true copies of all necessary approvals, consents and waivers of the SGX-ST required to complete the SPA and all transactions contemplated therein, including approval for the circular to be issued by the Company in relation to the Proposed Disposal. If such approvals, consents and waivers are obtained subject to any conditions, and any of such conditions affects or is reasonably likely to affect, any Party, then such conditions shall be acceptable to the Parties, and shall be fulfilled before Closing;
- (b) the Seller shall have delivered to the Buyer true copies of the minutes of the extraordinary general meeting of the shareholders of the Company at which resolutions are passed/approval granted for the Proposed Disposal and the transactions contemplated in the SPA;
- (c) the representations and warranties of the Seller (with respect to itself, the Target Company and the WFOE) contained in the SPA shall be true and correct as at the Closing Date as though made as of such date with reference to the facts and circumstances existing at such time;
- (d) the Seller has performed or satisfied all of its covenants and obligations set out in the SPA that are required to be performed or satisfied at or prior to the Closing Date; and
- (e) there is no material adverse effect or force majeure event, including with respect to or otherwise in connection with, the assets, business, or financial condition of the Target Company or the WFOE, or the Property on or before the Closing Date.

4.5 Guarantee and Indemnity by the Guarantor

Under the terms of the SPA, the Guarantor guarantees the payment by the Seller, when due, of all financial obligations and liabilities of the Seller with respect to any and all indemnity, warranty and other claims in respect of the SPA, the Property, the Target Company and the WFOE that existed or arise due to any event or circumstance existing prior to the Closing Date (collectively, the **“Guaranteed Liabilities”**). The Guarantor separately indemnifies the Buyer against any liabilities which may be incurred or suffered by the Buyer in connection with the Guaranteed Liabilities.

4.6 Indemnity

The Seller shall indemnify and hold harmless the Buyer, the Target Company and the WFOE (collectively with the Buyer, the **“Buyer’s Indemnitees”**), from and against any and all losses, liabilities, damages, costs, penalties and expenses to the extent reasonable (including attorneys’ and other professionals’ fees and disbursements) (collectively, the **“Losses”**) suffered, imposed or incurred on any Buyer Indemnatee on or after the Closing Date in connection with or arising from the following, except for any Losses in connection with the fraud, gross negligence or wilful misconduct of the Buyer:

- (a) any breach by the Seller of the SPA, including any representation, warranty, covenant or undertaking in the SPA or any other transaction document, or of any of its respective obligations arising from or in connection with any of the transactions contemplated under the SPA or under any and all other transaction documents;
- (b) (i) the businesses, operations and/or employees of the Target Company and/or the WFOE prior to the Closing; (ii) the use of the Property prior to the Closing; (iii) the Existing Executory Contracts, including any claims by or liabilities owing to parties under the Existing Executory Contracts; (iv) any quality or related warranties in respect of any product or spare parts manufactured by the WFOE, and (v) any and all acts, omissions or other matters relating to the Property or any member of the Group prior to or on the Closing Date (including all matters relating to any loans, set off and subrogation arrangements and other transactions between members of the Group and/or their respective affiliates); and
- (c) (i) any and all fines and other amounts imposed by competent governmental entities on the Target Company and/or the WFOE, or any losses or damages incurred by the Target Company and/or the WFOE arising in connection with any governmental investigations and/or other claims or legal proceedings conducted by governmental entities or other third parties before or after the Closing Date relating to the breach of any applicable laws or regulations arising out of the operation of the Target

Company and/or the WFOE, or the operation or use of the Property on or before the Closing Date.

For the purposes of this paragraph 4.6, “**Existing Executory Contracts**” means all current executory contracts to which the Target Company and/or the WFOE is a party or to which the Target Company and/or the WFOE and/or any of their respective properties is subject or by which any thereof is bound.

The Buyer shall indemnify and hold harmless the Seller from and against any and all Losses incurred or suffered by the Seller that are incurred in connection with or arising from any breach by the Buyer of the SPA, including any representation, warranty, covenant or undertaking in the SPA or any other transaction document, or of any of its respective obligations arising from or in connection with any of the transactions contemplated under the SPA or under any and all other transaction documents, except for any Losses in connection with the fraud, gross negligence or wilful misconduct of the Seller.

4.7 Termination

4.7.1 Termination of SPA

The SPA shall terminate:

- (a) by the mutual consent of the Parties thereto in writing;
- (b) at any time prior to the Closing Date, upon written notice from the Buyer to the Seller, if the Buyer discovers any fact, circumstance, liability or condition that has a material adverse effect on the Guarantor, the Seller, the Target Company, the WFOE or the Property;
- (c) at any time prior to the Closing Date, upon written notice from the Seller to the Buyer, if the Seller discovers any fact, circumstance, liability or condition that has a material adverse effect on the Buyer such that the Buyer is unable to perform its obligations pursuant to the SPA;
- (d) at any time prior to the Closing Date, if a Party discovers that another Party has made a material misrepresentation therein or has otherwise breached the SPA, and such breach constitutes a material adverse effect on the transactions contemplated under the SPA, the non-breaching Party may deliver written notice of its election to terminate the SPA to the other Parties; provided, however, if the breach or default is capable of remedy, the breaching Party shall have thirty (30) days from the date of such notice to remedy the breach or default; provided further that if the thirty (30) day cure period extends past the last day of the six (6) month period after the date

of the SPA (or a later date agreed upon by the Parties in writing) (the “**Long Stop Date**”), the breaching Party shall remedy the breach or default prior to the Long Stop Date; and

- (e) by the Buyer or the Seller, upon delivery of written notice to the other Party, in the event that the Closing does not occur by the Long Stop Date.

4.7.2 Effect of Termination

In the event the SPA is terminated pursuant to paragraph 4.7.1 above:

- (a) the SPA shall become void and have no further effect, provided that a Party shall have the right to file a claim against the other Party in respect of any liability for an antecedent breach of the SPA or for any misrepresentation thereunder, and such termination shall not be deemed to constitute a waiver of any available remedy (including specific performance, if available) for any such breach or misrepresentation;
- (b) the Seller shall cause the Escrow Agent to refund to the Buyer in immediately available funds via telegraphic transfer to a bank account designated in writing by the Buyer, without any deductions, 100% of the Deposit (and all interest accrued thereon) within five (5) Business Days of:
 - (i) the date of termination of the SPA in accordance with paragraphs 4.7.1(a) or 4.7.1(e), or
 - (ii) the date that the arbitration judgment is issued to the Buyer and the Seller by the arbitrators, if the SPA is terminated in accordance with paragraph 4.7.1(b) and is determined in an arbitration proceeding conducted in accordance with the SPA to have been due to the occurrence of a material adverse effect on the Guarantor, the Seller, the Target Company, the WFOE or the Property; or
 - (iii) the date that the arbitration judgment is issued to the Buyer and the Seller by the arbitrators, if the SPA is terminated in accordance with paragraph 4.7.1(d) and is determined in an arbitration proceeding conducted in accordance with the SPA to have been due to a default of the Seller;
- (c) the Buyer shall cause the Escrow Agent to release the Deposit to the Seller within five (5) Business Days of:
 - (i) the date that the arbitration judgment is issued to the Buyer and the Seller

by the arbitrators, if the SPA is terminated in accordance with paragraph 4.7.1(c) and is determined in an arbitration proceeding conducted in accordance with the SPA to have been due to the occurrence of a material adverse effect on the Buyer, arising due to a default of the Buyer; or

(ii) the date that the arbitration judgment is issued to the Buyer and the Seller by the arbitrators, if the SPA is terminated in accordance with paragraph 4.7.1(d) and is determined in an arbitration proceeding conducted in accordance with the SPA to have been due to a default of the Buyer; and

(d) without prejudice to the rights and obligations of the Parties in paragraphs 4.7.2(a) and (b), the Parties agree that if the SPA is terminated by the Buyer in connection with a material misrepresentation or breach of the SPA by the Seller, which has a material adverse effect, or the Seller's failure to transfer (or cause the transfer) of the Sale Shares to the Buyer in accordance with the terms of the SPA, the Seller shall, in addition to causing the Escrow Agent to release the Deposit to the Buyer in accordance with paragraph 4.7.2(b), pay to the Buyer the US Dollar equivalent of RMB25,500,000 within five (5) Business Days of the termination date.

5. VALUE OF THE SALE SHARES

Based on the latest unaudited consolidated financial statements of the Group for the 3-month period ended 31 March 2016 (the “**1Q2016 Results**”), the book value and net tangible asset value of the Sale Shares is S\$12,667,559. The Consideration represents an excess of S\$42,577,531 over the book value of the Sale Shares, and the amount of gain from the Proposed Disposal is estimated to be approximately S\$38 million having taken into account the estimated withholding tax of RMB18,604,859.91 and estimated incidental costs.

Based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2015, the net loss attributable to the Sale Shares is S\$19,664,358. Based on the 1Q2016 Results, the net loss attributable to the Sale Shares is S\$526,953.

6. CHAPTER 10 OF THE LISTING MANUAL

The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 of the Listing Manual of the SGX-ST (the “**Listing Manual**”) are as follows:

Rule 1006	Bases	Percentage (%)
(a)	Net asset value of the Sale Shares of S\$12,667,559, compared with the Group's net asset value of S\$(68,240,466) ⁽¹⁾	(18.56)%

(b)	Net loss attributable to the Sale Shares of S\$526,953, compared with the Group's net loss of S\$11,655,374 ⁽²⁾	4.52%
(c)	Aggregate value of the Consideration of S\$55,245,089 (based on an exchange rate of RMB1 to S\$0.2013) received, compared with the Company's market capitalisation of S\$2,400,000 ⁽³⁾	2301.88%
(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 the 1Q2016 Results.
- (2) Based on the 1Q2016 Results.
- (3) The market capitalisation of the Company is calculated on the basis of 400,000,000 shares in issue (excluding treasury shares) as at the date of this announcement and the 1-day volume weighted average price of S\$0.006 for each share on 5 July 2016, being the last market day on which shares were traded immediately before the date of the SPA.
- (4) Not applicable as the Proposed Disposal pertains to a disposal of assets.
- (5) Not applicable as the Proposed 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 Proposed Disposal constitutes a major transaction under Chapter 10 of the Listing Manual and is subject to the approval of shareholders at an extraordinary general meeting to be convened ("**EGM**").

The circular to shareholders containing information on the Proposed Disposal together with the notice of the EGM will be dispatched to shareholders in due course.

7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The pro-forma financial effects of the Proposed Disposal, based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2015 ("**FY2015**"), 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 Proposed Disposal.

7.1 Net Tangible Liabilities (“NTL”) per Share

Assuming that the Proposed Disposal had been completed on 31 December 2015, the effects on the NTL per share of the Company as at 31 December 2015 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTL (S\$)	(65,038,000)	(27,266,000)
Number of shares (excluding treasury shares)	400,000,000	400,000,000
NTL per share (cents)	(16.26)	(6.82)

7.2 Loss per Share

Assuming that the Proposed Disposal had been effected on 1 January 2015, the effects on the loss per share of the Company for FY2015 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Consolidated loss attributable to shareholders (S\$)	(56,963,000)	(30,655,000)
Weighted average number of shares (excluding treasury shares)	400,000,000	400,000,000
Loss per share (cents)	(14.24)	(7.66)

8. 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 Proposed Disposal.

9. DIRECTORS’ SERVICE CONTRACTS

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

10. DOCUMENTS FOR INSPECTION

A copy of the SPA and the independent valuation report prepared by DTZ 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 from date of this announcement to 22 July 2016 and at its new registered office address at 77 Robinson Road #13-00 Robinson 77, Singapore 068896 from 25 July 2016, for a period of three months from the date of this announcement.

11. 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 Proposed 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
20 July 2016