

Second Quarter Financial Statement On The Consolidated Results For The Period Ended 30 June 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 second quarter and the half year ended 30 June 2016

	Group			Group		
	3 months ended			6 months ended		
	30-06-16	30-06-15	Change	30-06-16	30-06-15	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	14,989	35,462	(58)	30,962	76,406	(59)
Other operating income	612	12,095	(95)	1,767	16,204	(89)
Changes in inventories of finished goods and work-in-progress	(2,681)	(4,239)	(37)	(4,776)	(9,477)	(50)
Raw material and consumables used	(3,034)	(21,472)	(86)	(9,085)	(40,538)	(78)
Employee benefits expenses	(10,289)	(11,796)	(13)	(16,978)	(25,463)	(33)
Depreciation and amortisation expense	(891)	(1,739)	(49)	(1,910)	(3,517)	(46)
Other operating expenses	(9,705)	(13,616)	(29)	(21,111)	(29,335)	(28)
Share of results of associate	(92)	(43)	114	(223)	(122)	83
Finance costs	(1,304)	(1,623)	(20)	(2,696)	(3,442)	(22)
Loss before income tax	(12,395)	(6,971)	78	(24,050)	(19,284)	25
Income tax	-	264	(100)	-	264	(100)
Loss for the period	(12,395)	(6,707)	85	(24,050)	(19,020)	26

Loss for the period attributable to:

Equity holders of the Company	(12,395)	(6,744)	84	(24,050)	(18,847)	28
Non-controlling interests	-	37	(100)	-	(173)	(100)
Total	(12,395)	(6,707)	85	(24,050)	(19,020)	26

Statement of Comprehensive Income for the second quarter and the half year ended 30 June 2016

	Group			Group		
	3 months ended			6 months ended		
	30-06-16	30-06-15	Change	30-06-16	30-06-15	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Loss for the period	(12,395)	(6,707)	85	(24,050)	(19,020)	26
Other comprehensive income / (loss) :						
Items that may be reclassified subsequently to profit or loss						
Exchange realignment of foreign entities	240	1,238	(81)	8,693	(2,928)	n.m.
Total comprehensive loss for the period	(12,155)	(5,469)	122	(15,357)	(21,948)	(30)

Total comprehensive loss attributable to:

Equity holders of the Company	(12,155)	(4,889)	149	(15,357)	(21,767)	(29)
Non-controlling interests	-	(580)	(100)	-	(181)	(100)
Total	(12,155)	(5,469)	122	(15,357)	(21,948)	(30)

Notes:

(I) Revenue

	Group			Group		
	3 months ended			6 months ended		
	30-06-16	30-06-15	Change	30-06-16	30-06-15	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Sale of goods	14,987	35,435	(58)	30,741	76,281	(60)
Interest income	2	27	(93)	221	125	77
Total	14,989	35,462	(58)	30,962	76,406	(59)

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

	Group			Group		
	3 months ended			6 months ended		
	30-06-16	30-06-15	Change	30-06-16	30-06-15	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)	-	8,134	(100)
Net foreign exchange adjustment (loss) / gain	(562)	234	n.m.	(4,289)	3,390	n.m.
Depreciation and amortisation expense	(891)	(1,739)	(49)	(1,910)	(3,517)	(46)
Interest expenses	(1,304)	(1,623)	(20)	(2,696)	(3,442)	(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 June 2016

	Group		Company	
	30-06-16	31-12-15	30-06-16	31-12-15
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets:				
Cash and bank balances	5,872	19,046	491	1,129
Trade receivables	20,405	41,920	-	-
Other receivables, deposits and prepayments	4,129	5,663	53,914	56,546
Inventories	26,779	30,529	-	-
Non-current assets classified as held for sale	23	29	-	-
Total current assets	57,208	97,187	54,405	57,675
Non-current assets:				
Associate	1,013	1,322	-	1,113
Subsidiaries	-	-	49,826	24,306
Available-for-sale investments	24,387	25,565	-	24,471
Land use rights	7,037	7,662	-	-
Property, plant and equipment	35,608	40,888	-	-
Total non-current assets	68,045	75,437	49,826	49,890
Total assets	125,253	172,624	104,231	107,565
LIABILITIES AND EQUITY				
Current liabilities:				
Trade payables	16,385	28,564	-	-
Other payables and accruals	34,182	38,909	1,203	1,529
Borrowings	72,907	84,140	-	-
Income tax payable	926	1,035	-	-
Total current liabilities	124,400	152,648	1,203	1,529
Non-current liability:				
Borrowings	81,248	85,014	49,580	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	(9,338)	(18,031)	(169)	3,544
Legal reserves	36,947	36,947	-	-
Accumulated losses	(313,873)	(289,823)	(97,480)	(100,161)
Equity attributable to owners of the Company	(80,395)	(65,038)	53,448	54,480
Non-controlling interests	-	-	-	-
(Capital deficiency) Total equity	(80,395)	(65,038)	53,448	54,480
Total liabilities and (capital deficiency) equity	125,253	172,624	104,231	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 30-06-2016		As at 31-12-2015	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
(a) 10,650	62,257	(a) 24,356	21,609
-	-	(b) 38,175	-
Total 10,650	62,257	Total 62,531	21,609

Amount repayable after one year

As at 30-06-2016		As at 31-12-2015	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
-	81,248	(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 June 2016

Operating activities:

Loss before income tax

Adjustments for:

Share of results of associate

Depreciation and amortisation expense

Gain on disposal of subsidiary / non-current assets held for sale

Interest expense

Interest income

Operating cash flows before movements in working capital

Trade receivables

Other receivables and prepaid expenses

Inventories

Trade payables

Other payables

Cash used in operations

Income tax (paid) / refund

Interest paid

Interest received

Net cash used in operating activities

Investing activities:

Proceeds from disposal of property, plant and equipment

Proceeds from disposal of subsidiary / non-current assets held for

Net cash generated from investing activities

Financing activities:

Increase / (Decrease) in short-term bank loans

Increase / (Decrease) in other loans payable

Capital reduction paid to non-controlling interests

Restricted cash

Net cash generated from / (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	
30-06-16	30-06-15	30-06-16	30-06-15
S\$'000	S\$'000	S\$'000	S\$'000
(12,395)	(6,971)	(24,050)	(19,284)
92	43	223	122
891	1,739	1,910	3,517
-	(8,134)	-	(8,134)
1,304	1,623	2,696	3,442
(2)	(27)	(221)	(125)
(10,110)	(11,727)	(19,442)	(20,462)
3,034	14,994	21,515	33,499
369	6,757	1,534	10,917
1,679	9,629	3,750	11,936
(6,205)	(26,363)	(12,179)	(41,367)
(552)	(806)	(4,727)	(3,787)
(11,785)	(7,516)	(9,549)	(9,264)
(27)	(34)	(109)	16
(1,304)	(1,623)	(2,696)	(3,442)
2	27	221	125
(13,114)	(9,146)	(12,133)	(12,565)
-	-	-	3,200
-	14,507	-	29,185
-	14,507	-	32,385
2,519	(16,749)	(12,437)	(7,206)
-	(11,854)	3,106	(9,979)
-	(6,302)	-	(6,302)
4,188	2,120	6,149	3,991
6,707	(32,785)	(3,182)	(19,496)
2,264	635	8,384	(3,164)
(4,143)	(26,789)	(6,931)	(2,840)
9,776	46,885	12,818	22,101
160	(744)	(94)	91
5,793	19,352	5,793	19,352
5,872	29,248	5,872	29,248
(79)	(9,896)	(79)	(9,896)
5,793	19,352	5,793	19,352

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 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 April 2016	151,097	54,772	(9,578)	36,947	(301,478)	(68,240)	-	(68,240)
Total comprehensive loss for the period	-	-	240	-	(12,395)	(12,155)	-	(12,155)
Balance at 30 June 2016	151,097	54,772	(9,338)	36,947	(313,873)	(80,395)	-	(80,395)

Group								
Balance at 1 April 2015	151,097	54,772	(11,341)	37,952	(245,073)	(12,593)	16,631	4,038
Total comprehensive loss for the period	-	-	1,855	-	(6,744)	(4,889)	(580)	(5,469)
Reduction in minority interest upon disposal	-	-	-	-	-	-	(9,749)	(9,749)
Capital Reduction	-	-	-	-	-	-	(6,302)	(6,302)
Disposal of subsidiary	-	-	-	(1,005)	-	(1,005)	-	(1,005)
Balance at 30 June 2015	151,097	54,772	(9,486)	36,947	(251,817)	(18,487)	-	(18,487)

	Share capital	Translation reserves	Accumulated profits	Total
Company	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 April 2016	151,097	1,214	(97,083)	55,228
Total comprehensive income for the period	-	(1,383)	(397)	(1,780)
Balance at 30 June 2016	151,097	(169)	(97,480)	53,448

Company				
Balance at 1 April 2015	151,097	5,898	(2,152)	154,843
Total comprehensive income for the period	-	(3,397)	3,882	485
Balance at 30 June 2015	151,097	2,501	1,730	155,328

- 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 2016 and 2015
As at 30 June 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 June 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 period ended 30 June 2016

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

	Group			
	3 months ended		6 months ended	
	30-06-16	30-06-15	30-06-16	30-06-15
	cents	cents	cents	cents
(i) Based on the weighted average number of ordinary shares on issue;	(3.10)	(1.69)	(6.01)	(4.71)
and				
(ii) On a fully diluted basis	(3.10)	(1.69)	(6.01)	(4.71)

Notes:

- (a) The loss per ordinary share for the financial period 3 and 6 months ended 30 June 2016 are calculated based on 400,000,000 (3 and 6 months ended 30 June 2015 : 400,000,000) ordinary shares issued
- (b) In June 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

Net asset value per ordinary share as at 30 June 2016

	Group			Company		
	30-06-16	31-12-15	Change	30-06-16	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	(20.10)	(16.26)	24	13.36	13.62	(2)

Note:

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

Second Quarter ended 30 June 2016 ("Q2 2016")

Revenue

For the second quarter ended 30 June 2016 ("Q2 2016"), the Group revenue decreased by 58% to S\$15.0 million from S\$35.5 million in Q2 2015. The substantial decline in revenue was in line with the Group's on-going plan to shut down some of its loss-making factories.

Other operating income

Other operating income decreased by 95% to S\$0.6 million in Q2 2016. Q2 2015 other operating income included a gain on disposal of a subsidiary ("Indeed Holdings Limited") amounting to S\$8.1 million.

Raw material and consumables used

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

Cost of inventories decreased to S\$5.7 million in Q2 2016 from S\$25.7 million in Q2 2015. The decrease was in line with the reduced revenue.

Employee benefits expenses

Employee benefits expenses decreased by 13% to S\$10.3 million in Q2 2016 from S\$11.8 million in Q2 2015 due to lower headcount cost. Current quarter ("Q2 2016") costs included a one-off retrenchment costs of S\$5.5 million. Excluding this retrenchment cost, the employee benefits expenses would have been lower by 59%.

Depreciation and amortisation expense

Depreciation and amortisation expenses decreased 49% to S\$0.9 million in Q2 2016 from S\$1.7 million in Q2 2015 due to the lower carrying value of the depreciable assets.

Other operating expenses

In line with the reduced revenue and downsizing exercise, other operating expenses (which include selling and distribution costs and manufacturing overheads) were lower by 29% to S\$9.7 million in Q2 2016 from S\$13.6 million in Q2 2015.

Finance costs

Finance costs decreased by 20% to S\$1.3 million in Q2 2016 from S\$1.6 million in Q2 2015 mainly due to the lower Group's borrowings.

Group Net Loss

As a result of the above, the Group incurred a loss attributable to equity holders of the Company of S\$12.4 million in Q2 2016 compared to S\$6.7 million in Q2 2015.

Review of Balance Sheet

The Group current assets were S\$57.2 million as at 30 June 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 June 2016 mainly due to repayment of short-term borrowings and retrenchment costs.
- ii. Trade receivable decreased from S\$41.9 million as at 31 December 2015 to S\$20.4 million as at 30 June 2016 due to collection and a lower sales volume.
- iii. Inventories declined from S\$30.5 million as at 31 December 2015 to S\$26.8 million as at 30 June 2016 due to lower inventory quantity in line with the reduced revenue.

The Group current liabilities decreased from S\$152.6 million as at 31 December 2015 compared to S\$124.4 million as at 30 June 2016. The decrease was largely due to following:

- i. Trade payable decreased from S\$28.6 million as at 31 December 2015 to S\$16.4 million as at 30 June 2016 due to lower purchases and payments made during the period.
- ii. Borrowings declined from S\$84.1 million as at 31 December 2015 to S\$72.9 million as at 30 June 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\$81.2 million at 30 June 2016 due to appreciation of the S\$ against US\$ borrowings.

Going concern

The Group's current asset as at 30 June 2016 was S\$57.2 million and the Group's current liability as at 30 June 2016 was S\$124.4 million. This posts a going concern issue. However, the management is 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 will be able to continue operating as a going concern in the foreseeable future.

Review of Cash Flow Statement

Net cash used in operating activities in Q2 2016 was S\$13.1 million. This was primarily due to loss from operations and payment for retrenchment costs.

Net cash from financing activities of S\$6.7 million in Q2 2016 was mainly attributed to less restricted cash being set aside.

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 and reduce borrowings and concurrently look into fund raising and/or acquisition and diversification opportunities to generate additional income streams.

As part of its strategy, the Group has proposed to dispose a factory in Shanghai for RMB274 million to repay existing debts and increase working capital. Due to the relative size of the transaction, this disposal is subject to Shareholder's approval at an EGM which will be held in due course.

As at 30 June 2016, the Group has closed six plants in Shanghai, Chongqing, Shandong and Malaysia and will continue to downsize other loss making entities in the second half of FY2016.

On 27 August 2015, the Group appointed RHB Securities Singapore Pte Ltd ("RHB") as Financial Advisor to assist in identifying strategy investor(s) as well as new viable business(es) to acquire to improve the Group's financial performance.

Since then, RHB had introduced two investors ("Oriental Straits Investment Limited" and "China Capital Impetus Investment Limited"). 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\$352.5 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 and application 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 the ("SGX-ST") granted the Company an extension of time of 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/recommended, a statement to that effect**
No dividend for the period ended 30 June 2016 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
- 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

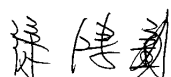
Chairman

Date : 10 August 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 second 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

Date: 10 August 2016