

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

RESPONSES TO USP GROUP LIMITED'S LETTER DATED 27 NOVEMBER 2015

The board of directors of Huan Hsin Holdings Ltd (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has received a letter dated 27 November 2015 (the “**USP Letter**”) from USP Group Limited, a shareholder who holds (as at 27 November 2015) an aggregate of 64,809,400 ordinary shares in the capital of the Company, representing approximately 16.20% of the total number of ordinary shares in the capital of the Company. The Company's responses to the matters raised in the USP Letter are set out below.

USP Letter

1. Total Comprehensive Loss before income tax (i.e. excluding exchange realignment) increased from S\$5.5 mil to S\$20.4 mil for the 3 months period ending 30 June 2015 (“**June Period**”) versus the 3 months period ending 30 Sep 2015 (“**Sep Period**”), an increase of more than 270%! Although the year on year figures have improved, but the fact that quarter on quarter results have worsen considerably is an indication that the Management is not achieving with its restructuring goals to lower costs, streamline operations and dispose off non-performing assets.

Company's Response

Total comprehensive loss for the 3 months ended 30 June 2015 (“**2Q2015**”) and the 3 months ended 30 September 2015 (“**3Q2015**”) was affected by non-operational expenses and incomes. If these items are excluded, total comprehensive loss remains unchanged at S\$14.8 million for 2Q2015 and 3Q2015.

The analysis of total comprehensive loss before income tax is as follows:

	3Q2015	2Q2015
	S\$'000	S\$'000
Loss for the period ⁽¹⁾	(14,752)	(6,707)
Other comprehensive income / (loss):		
Items that may be reclassified subsequently to profit or loss		
Exchange realignment of foreign entities	(5,633)	1,238
Total comprehensive loss for the period ⁽²⁾	(20,385)	(5,469)

Notes:

- (1) This is total comprehensive loss before income tax excluding exchange realignment.

- (2) This is total comprehensive loss before income tax including exchange realignment.

The increase in total comprehensive loss before income tax for 3Q2015 as compared to 2Q2015 is mainly due to the following:

- (a) increase in “exchange realignment of foreign entities” of S\$6.8 million (i.e. S\$1,238,000 - S\$(5,633,000)); and
- (b) the Group recording a gain on disposal of a subsidiary (Indeed Holdings Limited) amounting to S\$8.1 million in 2Q2015 (3Q2015 – Nil). If this is excluded, loss for the 2Q2015 would read S\$14.8 million, instead of S\$6.7 million.

USP Letter

2. Employee benefits have increased from S\$11.8 mil as at June Period to S\$14.2 mil for the Sep Period. This increase of 20.3% is again contrary to the Management’s goal of streamlining operations.

Company’s Response

In 3Q2015, the Group incurred retrenchment costs as a result of cessation of operations at its Chongqing plant at the end of August 2015 and its Malaysia plant at the end of September 2015.

If these retrenchment costs were excluded, employee benefits expenses would have remained relatively stable. In fact, as compared to the revenue for the relevant quarter, employee benefits expenses had declined in percentage terms, from 33% to 30%. Please see table below.

	3Q2015	2Q2015	
	S\$’000	S\$’000	Change
Revenue	40,413	35,462	14%
Employee benefits expenses	14,234	11,796	21%
Retrenchment cost	(2,039)	-	
Employee benefits expenses (excluding retrenchment cost)	12,195	11,796	3%
Employee benefits expenses / Revenue	30%	33%	

USP Letter

3. Almost S\$10 mil has been repaid to short-term and long term borrowings during the period from 30 June 2015 to 30 Sep 2015. We demand to know if any of the loans have been repaid to shareholders or loans that shareholders have provided personal guarantees to.

Company's Response

The borrowing repayment is S\$8 million, not S\$10 million. Please refer to the cash flow statement in the Company's 3Q2015 results announcement dated 12 November 2015.

All the S\$8 million has been repaid to local banks in the People's Republic of China in accordance with the repayment schedules of the respective loans. No monies have been repaid to shareholders for personal loans extended or to other loans for which shareholders had provided personal guarantees.

USP Letter

4. On 20 Nov 2015, the Company announced the incorporation of Greatest Innovation Investment Ltd as part of its on-going business restructuring and structural streamlining. We seek to clarify on how the incorporation of this BVI entity would achieve the restructuring goal for the benefit of (a) the Company; and (b) the shareholders.

Company's Response

The incorporation of Greatest Innovation Investment is part of the early stage restructuring process required for the disposal of non-performing assets.

USP Letter

5. As reported by the Company, it was placed in the SGX's watchlist and under the SGX listing rules, the Company would be delisted by early March 2016. During the general meetings, the Management expressed that they may be writing to SGX to request for extension of time before delisting. We seek the Board's clarification on whether this request has been made and if not, what are the plans in the best interests of the shareholders of the Company, from now till March 2016, as the deadline draws near.

Company's Response

The Company is aware that it needs to apply for an extension of time to meet the listing requirements under Rule 1314 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST") to exit from the watch-list by March 2016. The Company has identified potential strategic investors and is making progress in discussions and negotiations. Upon the execution of definitive agreements with the relevant parties, the Company will make the relevant announcements and apply to the SGX-ST for the relevant approvals, including for an extension of time. Barring unforeseen circumstances, the Company is optimistic that it will be able to make the extension application prior to March 2016.

USP Letter

6. The Company announced that it has appointed RHB Corporate Finance as its Financial Advisor for the restructuring in August 2015. We would like the Board to provide the shareholders with a complete update on what has the Financial Advisor advised and what has the Company done in accordance with the advises given. We look forward to a detailed report instead of repeating the same found in the quarterly update pursuant to Rule 1313(2). We further request the Company to convene a meeting for the financial advisor to present and update to the shareholders on their progress and if need be, to be given a chance to provide our views and input on their recommendation and vote on any course of actions that the Company should take from here on.

Company's Response

The Company has identified potential strategic investors and is making progress in the negotiations with these potential investors. The convening of a shareholders' meeting to discuss on any proposed restructuring will be done in due course.

However, it is premature at this juncture to provide any update as the Company is still in negotiations with these identified potential strategic investors even though it is at an advanced stage.

BY ORDER OF THE BOARD

Hsu Hung Chun
Chairman
30 November 2015