

COMBINE WILL INTERNATIONAL HOLDINGS LIMITED

聯志國際控股有限公司

(Incorporated in the Cayman Islands on 8 October 2007)

Company Registration No. MC-196613

**RESPONSE TO SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S
QUERIES ON THE COMPANY'S UNAUDITED FINANCIAL STATEMENTS FOR THE
FINANCIAL YEAR ENDED 31 DECEMBER 2022**

The Board of Directors (the “**Board**”) of Combine Will International Holdings Limited (the “**Company**”) wishes to respond to comments received on 4 April 2023 from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in relation to the Company’s unaudited financial statements (the “**2022 Unaudited Financial Statements**”) for the financial year ended 31 December 2022 (“**FY2022**”).

Capitalised terms used herein, unless otherwise defined, shall have the definitions ascribed to them in the 2022 Unaudited Financial Statements.

SGX-ST Query 1

Please disclose a breakdown of the Group’s trade and bill payables under its current liabilities amounting to HK\$247,220,000 as at 31 December 2022. For the bill payables, please disclose the aging and nature of these payables and whether the counterparties are related parties.

Company’s Response

Please refer to the table below:

	Trade payables	Bills payables	Total
1~30 Days	38,888,000	-	38,888,000
31~60 Days	49,936,000	3,809,000	53,745,000
61~90 Days	46,944,000	6,089,000	53,033,000
Over 90 Days	98,434,000	3,120,000	101,554,000
Total	234,202,000	13,018,000	247,220,000

* All the counterparties are not related parties.

* The nature of all bill payables are for raw material purchases.

SGX-ST Query 2

At page 20, it was disclosed that the Group has an aggregate of HK\$303,932,000 in secured loans which are repayable in one year or less, or on demand. It also has secured loans of HK\$15,000,000 which are repayable after one year, or on demand.

(a) Please disclose details of the loan(s), including its terms, interest and maturity dates.

Company's Response

Please refer to the tables below:

	On demand and 0~60 Days	61~90 Days	91~180 Days	181~365 Days	1~2 years	2~5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trust receipts and import loans, secured	200,534	50,606	-	-	-	-	251,140
Term loans	43,839	445	2,836	5,672	6,000	9,000	67,792
Total	244,373	51,051	2,836	5,672	6,000	9,000	318,932

Interest Rate	HK\$'000
2.32%-5.60%	138,544
5.61%-6.60%	98,635
6.61%-7.39%	81,753
Total	318,932

(b) Please disclose when the loan(s) were obtained and approved by the Board (including the Audit Committee), and their use of proceeds.

Company's Response

HK\$5,294,000 of loans were obtained before FY2022 and the rest of the loans were obtained in FY2022. The trust receipts and import loans are used to finance our purchases of materials as well as working capital requirements. The term loans are used to finance our investments in PPE (in China and Indonesia), raw materials as well as other operational requirements.

The bank loans and facilities have been approved by the Board (including AC) prior to application, drawdown and use.

(c) We note that the Group reported bank and cash balances of HK\$132,057,000 as at 31 December 2022. In this regard:

(i) Please disclose the pro-active actions which management plans to take to ensure that the Group's financial position remains strong.

Company's Response

The pro-active actions are as follows:

- continuously improving the turnover rate of trade and bill payables;
- the internal control procedure which ensures every sales order meets the credit term requirement which has been established for years;
- the remaining unutilized bank facilities of HK\$432,106,000 as at 31 December 2022 are sufficient; and
- the debt-to-capital ratio has decreased from 50% as of 31 December 2021 to 37% as of 31 December 2022.

(ii) Please assess the Group's ability to operate as a going concern.

Company's Response

The Company is of the opinion that the Group is able to operate as a going concern for the following reasons:

- HK\$108,923,000 of trade receivables have been received in the first quarter of FY2023;
- HK\$277,870,000 of sales orders have been received and manufactured in the first quarter of FY2023, HK\$266,419,000 of the consideration has been received;
- the bank and cash balances are HK\$132,057,000 as of 31 December 2022; and
- the financial assets at fair value through profit or loss is HK\$120,932,000 as of 31 December 2022.

(iii) Please assess the Group's ability to meet its debt covenants (if any).

The Company is of the opinion that the Group is able to meet its debt covenants for the following reasons:

- the current assets which could be used to pay for debt covenants are HK\$813,164,000 as at 31 December 2022, and exceed the liabilities of HK\$755,150,000 by HK\$50,894,000;
- the current assets which could be used to pay for short-term obligations consist of:
 - 1) trade and bills receivables are HK\$186,144,000;
 - 2) contract assets are HK\$283,668,000;
 - 3) inventories are HK\$90,363,000;
 - 4) bank and cash balances are HK\$132,057,000;
 - 5) financial assets at fair value through profit or loss are HK\$120,932,000;
- the liabilities above are HK\$755,150,000 after total liabilities of HK\$822,430,000 offsetting mould and trade deposits paid and contract liability of HK\$60,160,000 and HK\$7,120,000 respectively in accruals and other payables.

- (iv) ***Please assess the Group's ability to meet its short-term obligations when they fall due.***

Company's Response

The Company is of the opinion that the Group is able to meet its short-term obligations when they fall due for the following reasons:

- the current assets which could be used to pay for short-term obligations are HK\$722,801,000 as at 31 December 2022 and exceed short-term obligations of HK\$687,273,000 by HK\$35,528,000;
- the current assets (excluding inventories of HK\$90,363,000) of HK\$722,801,000 which could be used to pay for short-term obligations consist of:
 - 1) trade and bills receivables are HK\$186,144,000;
 - 2) contract assets are HK\$283,668,000;
 - 3) bank and cash balances are HK\$132,057,000;
 - 4) financial assets at fair value through profit or loss are HK\$120,932,000;
- the short-term obligations above are HK\$687,273,000 after current liabilities of HK\$754,553,000 offsetting mould and trade deposits paid and contract liability of HK\$60,160,000 and HK\$7,120,000 respectively in accruals and other payables.

By Order of the Board

Chiu Hau Shun, Simon
Chief Executive Officer

10 April 2023