

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)

WAIVER FROM COMPLIANCE WITH LISTING RULE 1014(2) IN RELATION TO THE PROPOSED DISPOSAL OF LAND LOCATED AT SHENSHAN INDUSTRIAL AREA, HENGLI TOWN, DONGGUAN CITY, THE PEOPLE'S REPUBLIC OF CHINA

1. INTRODUCTION

- 1.1 The board of directors (the **"Board"** or **"Directors"**) of Combine Will International Holdings Limited (the **"Company"**, and together with its subsidiaries, the **"Group"**) would like to announce that the Hengli Town People's Government of Dongguan City (the **"Hengli Government"**) and the Company's indirect wholly-owned subsidiary, Dongguan Loong Run Toy Co., Ltd. (东莞联弘玩具有限公司) (**"DLRT"**), have entered into several agreements today including a property demolition and resettlement compensation agreement (the **"Land Acquisition Documents"**) pursuant to which the Hengli Government will acquire from DLRT certain parcels of land located at Shenshan Industrial Area, Hengli Town, Dongguan City, the People's Republic of China (collectively, the **"Shenshan Property"**) on which the Group's service centre and toy manufacturing facilities are currently situated for an aggregate consideration (the **"Aggregate Compensation"**) of RMB47,352,482.43 (approximately S\$8,646,713.72) (the **"Proposed Disposal"**).
- 1.2 The relative figures determined in respect of the Proposed Disposal as computed on the bases set out in Rule 1006 of the Listing Manual (the **"Listing Manual"**) of the Singapore Exchange Securities Trading Limited (the **"SGX-ST"**) exceed 20%. Accordingly, the Proposed Disposal will constitute a major transaction under Chapter 10 of the Listing Manual.
- 1.3 However, the Company had on 5 September 2024 sought a waiver from the SGX-ST from compliance with Rule 1014(2) of the Listing Manual in respect of the Proposed Disposal (the **"Waiver Application"**) and in the SGX-ST's reply dated 14 October 2024, following the Company's submission of responses to queries from the SGX-ST, the SGX-ST informed the Company that it had no objection in granting the Company a waiver from compliance with Rule 1014(2) of the Listing Manual in respect of the Proposed Disposal subject to certain conditions as set out below (the **"Waiver"**).

2. THE PROPOSED DISPOSAL

2.1 The Hengli Government

The Hengli Government is the local government with jurisdiction over Hengli Town, Dongguan City, the People's Republic of China.

2.2 The Shenshan Property

The Shenshan Property (including the buildings, structures and attachments situated thereon) is currently being used by the Group as its service centre and also houses one of the Group's toy manufacturing facilities.

2.3 **Aggregate Compensation**

The Aggregate Compensation to be received by DLRT in respect of the Proposed Disposal is RMB47,352,482.43 (approximately S\$8,646,713.72) comprising compensation for, *inter alia*, the acquisition of the Shenshan Property, compensation for the demolition of the buildings, structures and attachments situated thereon and equipment relocation fee.

The Aggregate Compensation was determined based on the survey reports in respect of the Shenshan Property prepared by Guangdong Junhexin Real Estate and Land Asset Appraisal Co., Ltd, the surveyor appointed by the Hengli Government, as well as the applicable laws, regulations and policies of the PRC, including the *Demolition Compensation Standards for Urban Village Renovation (Industrial Park) Project of Shiyong Village, Hengli Town, Dongguan City*.

The Aggregate Compensation may be subject to further adjustments depending on the final survey reports and further negotiations with the Hengli Government. The adjustments, if any, are not expected to be substantial.

2.4 **Payment Terms**

The Aggregate Compensation is payable in cash in accordance with the timeline stipulated in the Land Acquisition Documents. In particular, 70% of the Consideration will be received by DLRT upon signing of the Land Acquisition Documents, with the remaining 30% of the Consideration to be received upon handover of the Shenshan Property.

2.5 **Obligations Pending Completion**

Upon signing the Land Acquisition Documents, DLRT shall not enter into any lease contracts in respect of the Shenshan Property, and shall not build any additional structures on, alter or expand the Shenshan Property. Pending handover of the Shenshan Property, DLRT shall continue to be responsible for the safety management of the Shenshan Property and shall maintain the original state of the Shenshan Property without removing any structural parts.

2.6 **Termination etc.**

To the extent applicable, DLRT shall release any mortgage, seal-up, residency restriction and settle any property right disputes at its own cost, failing which, the Hengli Government shall have the right to suspend/terminate the Land Acquisition Documents and suspend payment obligations until the relevant limitations or defects have been eliminated. In the event that the Hengli Government terminates the Land Acquisition Documents, DLRT shall return all amounts paid by the Hengli Government and the interest thereon (the interest shall be calculated at twice the loan prime rate announced by the National Inter-bank Lending Centre from the date when the Hengli Government makes the payment until the date on which DLRT returns all the amounts to the Hengli Government).

In addition, after the Land Acquisition Documents come into force, the Hengli Government shall be entitled to terminate the Land Acquisition Documents if DLRT transfers or mortgages the Shenshan Property without consent. In such a case, DLRT shall return all amounts paid by the Hengli Government and the interest thereon (the interest shall be calculated at twice the loan prime rate announced by the National Inter-bank Lending Centre from the date when the Hengli Government makes the payment until the date on which DLRT returns all the amounts to the Hengli Government).

3. VALUE OF THE SHENSHAN PROPERTY

Based on the audited financial statements of the Group for the financial year ended 31 December 2023 (“**FY2023**”), the book value and net tangible asset (“**NTA**”) value of the Shenshan Property as at 31 December 2023 was HK\$30,511,031 (approximately S\$5,095,958). The excess of the proceeds from the Proposed Disposal over the book value of the Shenshan Property is HK\$21,259,438 (approximately S\$3,550,755). The amount of gain on the Proposed Disposal is HK\$15,898,179 (approximately S\$2,655,317).

4. RATIONALE FOR AND BENEFITS OF THE PROPOSED DISPOSAL

The Shenshan Property is located within an industrial estate which the Hengli Government plans to demolish in order to make way for the construction of the new Hengli Town Western Modern Industrial Park to meet the needs of urban construction in Dongguan City, and the Proposed Disposal is being undertaken pursuant to mutual negotiations with the Hengli Government. The Proposed Disposal will have a positive impact on the financial position of the Group as the amount of gain on the Proposed Disposal is HK\$15,898,179 (approximately S\$2,655,317). In addition, the net sale proceeds from the Proposed Disposal is estimated to be HK\$15,898,179 (approximately S\$2,655,317) which will improve the Group’s working capital position and balance sheet. Further, as the buildings, structures and facilities situated on the Shenshan Property are aged and in need of refurbishment, the Proposed Disposal will provide the Group with an opportunity to refresh its manufacturing facilities. The Proposed Disposal will not materially disrupt the Group’s manufacturing operations as a whole, as the Group has already entered into a lease agreement for premises which will take effect early next year to carry out manufacturing activities and as an office space (the “**Lease Arrangements**”). The Group is also considering the possibility of acquiring land use rights over a plot of land at which the Group proposes to construct a manufacturing facility (the “**Potential Land Acquisition**”), and will provide Shareholders with an update as and when material developments arise.

5. USE OF PROCEEDS

The net sale proceeds from the Proposed Disposal will be RMB14,543,901 (approximately S\$2,655,317) (after deducting taxes and expenses of approximately RMB\$4,901,300 (approximately S\$895,439) incurred in connection with the Proposed Disposal) (the “**Net Sale Proceeds**”). The Net Sale Proceeds will be used for general working capital purposes, including to cover the Group’s operating expenses, employees’ salaries, legal and professional fees, as well as costs incurred in connection with the Lease Arrangements and the Potential Land Acquisition.

6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The following are presented purely for illustrative purposes only and are neither indicative nor do they represent the actual future financial situation or any projection of the financial performance or position of the Group following completion of the Proposed Disposal.

The financial effects of the Proposed Disposal on the Company as set out below are based on the Group's latest announced financial statements for FY2023 as well as the following bases and key assumptions:

- (a) the financial effects of the Proposed Disposal on the Group's NTA per share of the Company ("**Share**") are computed based on the assumption that the Proposed Disposal was completed on 31 December 2023;
- (b) the financial effects of the Proposed Disposal on the Group's earnings per Share ("**EPS**") are computed based on the assumption that the Proposed Disposal was completed on 1 January 2024;
- (c) a monthly rental of RMB302,957 in connection with the Lease Arrangements;
- (d) compensation of RMB47,352,482 in connection with the Potential Land Acquisition.

6.1 Share Capital

As no new Shares will be issued by the Company in connection with the Proposed Disposal, the Proposed Disposal will have no impact on the Company's issued share capital.

6.2 NTA per Share

	Before the Proposed Disposal	After the Proposed Disposal
NTA as at 31 December 2023 (HK\$'000)	744,236	760,134
Number of Shares	32,327,400	32,327,400
NTA per Share(HK\$)	23.02	23.51

Note:-

- (1) NTA means total assets less the sum of total liabilities, non-controlling interest and intangible assets (net of non-controlling interest).

6.3 EPS per Share

	Before the Proposed Disposal	After the Proposed Disposal
Profit after taxation (HK\$'000)	42,531	58,429
Weighted average number of Shares	32,327,400	32,327,400
EPS (HK cents)	131.56	180.74

6.4 Gearing

	Before the Proposed Disposal	After the Proposed Disposal
Net borrowings / (cash) ⁽¹⁾ as at 31 December 2023 (HK\$'000)	233,786	217,887
Shareholders' equity (HK\$'000)	746,163	762,061
Gearing (times)	31%	29%

Note:-

- (1) Net borrowings means total borrowings less cash and bank balances. Net cash means cash and bank balances are more than total borrowings.

7. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

Based on the latest announced financial statements of the Group for FY2023, the relative figures determined in respect of the Proposed Disposal as computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

	Bases Under Rule 1006	Relative Figure
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	4.1%
(b)	The net profits ⁽¹⁾ attributable to the assets acquired or disposed of, compared with the Group's net profits.	0.9% ⁽²⁾
(c)	Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	29.4% ⁽³⁾
(d)	The number of equity securities issued by the Company as consideration an acquisition, compared with the number of equity securities previously in issue.	Not applicable ⁽⁴⁾
(e)	The 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. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil & gas company, but not to an acquisition of such assets.	Not applicable

Notes:-

- (1) Net profits means profit or loss before income tax, minority interest and extraordinary items.

- (2) Based on the net profits attributable to the Shenshan Property of HK\$399,816 (approximately S\$74,687) compared to the net profits attributable to the Group for FY2023 of HK\$42,531,000 (approximately S\$7,288,546).
- (3) Based on the consideration of RMB47,352,482.43 (approximately S\$8,646,713.72) compared to the Company's market capitalisation of approximately S\$29,417,934. The market capitalisation of the Company was computed based on the weighted average price of S\$0.910 per Share on 7 November 2024 (being the market day preceding the date of the Land Acquisition Documents) and 32,327,400 Shares in issue as at 7 November 2024 (being the market day preceding the date of the Land Acquisition Documents).
- (4) Rule 1006(d) of the Listing Manual is not applicable as the Company is not issuing equity securities as consideration for the Proposed Disposal.

Accordingly, the Proposed Disposal will constitute a major transaction under Chapter 10 of the Listing Manual.

8. BASIS FOR THE WAIVER APPLICATION

8.1 Basis for the Waiver Application

The Company had on 5 September 2024 submitted the Waiver Application to the SGX-ST in respect of a waiver from compliance with Rule 1014(2) of the Listing Manual in respect of the Proposed Disposal. The basis for the Waiver Application is summarised below:

- (a) Purpose of the Proposed Disposal: The Proposed Disposal is not a commercial transaction but rather, the result of the Hengli Government acquiring the Shenshan Property in order to meet the needs of urban construction in Dongguan City. As the Proposed Disposal is no more than a relocation of the Group's service centre and toy manufacturing facilities, the Board is of the opinion that there will be no material change in the risk profile of the Company arising from the Proposed Disposal. Accordingly, the Board is of the view that the Shareholders would not be unduly concerned about the Proposed Disposal.
- (b) Completion Timeline Driven by the Redevelopment Plans of the Hengli Government: As noted above, the Proposed Disposal is not a commercial transaction but rather, the result of the Hengli Government acquiring the Shenshan Property in order to meet the needs of urban construction in Dongguan City. As such, the timeline for the Proposed Disposal is driven by the Hengli Government's own timeline for the construction and development of the new Hengli Town Western Modern Industrial Park.
- (c) Benefits of the Proposed Disposal: The Proposed Disposal will have a positive impact on the financial position of the Group as the amount of gain on the Proposed Disposal is HK\$15,898,179 (approximately S\$2,655,317). In addition, the net sale proceeds from the Proposed Disposal is estimated to be RMB15,898,179 (approximately S\$2,655,317) which will improve the Group's working capital position and balance sheet. Further, as the buildings, structures and facilities situated on the Shenshan Property are aged and in need of refurbishment, the Proposed Disposal will provide the Group with an opportunity to refresh its manufacturing facilities.
- (d) Irrevocable Undertaking from the Majority Shareholder: The Company has also consulted with DJKS Holdings Limited, the controlling shareholder of the Company which holds 74.55% of the voting rights in the Company, on the Proposed Disposal. After having considered the circumstances surrounding and the rationale for the Proposed Disposal, DJKS Holdings Limited has committed to the giving of an irrevocable undertaking to vote in favour

of the Proposed Disposal should the matter be tabled before the Shareholders for consideration. Accordingly, there is no concern that any resolution that may be placed before the Shareholders in connection with the Proposed Disposal would not be passed. The Proposed Disposal has not been foreshadowed, and Shareholders have not had the opportunity to consider and vote on the Proposed Disposal at previous general meetings. However, given the benefits of the Proposed Disposal, the Board is of the view that the Shareholders would not be unduly prejudiced as a result of the Proposed Disposal.

8.2 **Conditions of Waiver**

In the SGX-ST's reply dated 14 October 2024, following the Company's submission of responses to queries from the SGX-ST, the SGX-ST informed the Company that it had no objection in granting the Company the Waiver subject to certain conditions as set out below:

- (a) the Company announcing the Waiver granted, the reasons for seeking the Waiver, the conditions as required under Rule 107 of the Listing Manual and if the Waiver conditions have been satisfied. If the Waiver conditions have not been met on the date of the announcement, the Company must make an update announcement when the conditions have all been met;
- (b) submission of a written confirmation from the Board that there has been or will be no material change in the risk profile of the Company arising from the Proposed Disposal, including the bases for its opinion;
- (c) submission of a written confirmation from the Board that the Proposed Disposal is in the best interest of the Group and the Shareholders of the Company; and
- (d) submission of an irrevocable undertaking from DJKS Holdings Limited, the controlling shareholder of the Company which holds 74.55% of the voting rights in the Company, that it would vote in favour of the Proposed Disposal at a general meeting.

The Waiver will not be effective if any of the conditions have not been fulfilled.

The conditions of the Waiver have been satisfied as at the date of this announcement.

9. **INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Directors (other than in his capacity as a Director or shareholder of the Company) or controlling Shareholders of the Company and their respective associates (other than through their respective shareholding interests in the Company) has any interests, direct or indirect, in the Proposed Disposal.

10. **SERVICE CONTRACTS**

There are no Directors who are proposed to be appointed to the Board in connection with the Proposed Disposal. Accordingly, no service contract in relation to the Company is proposed to be entered into between the Company and any such person.

11. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Land Acquisition Documents will be made available for inspection during normal business hours, on any weekday (public holidays excepted), at the office of the Company's local share transfer agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 for a period of three (3) months from the date of this announcement.

12. CAUTION IN TRADING

Shareholders and potential investors are advised to exercise caution in trading their Shares as there is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments on the Proposed Disposal. Shareholders are advised to read this announcement and any further announcements by the Company carefully, and should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Chiu Hau Shun Simon
Chief Executive Officer

8 November 2024