



COMBINE WILL

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 Number: MC-196613)

PROPOSED SALE OF 100% OF THE REGISTERED SHARE CAPITAL OF DONGGUAN LIAN ZHI BUSINESS MANAGEMENT CO., LTD. (东莞联志企业管理有限公司) AND 100% OF THE REGISTERED SHARE CAPITAL OF DONGGUAN ZHONG XIN BUSINESS MANAGEMENT CO., LTD. (东莞忠信企业管理有限公司)

Unless otherwise stated, the exchange rates of S\$1.00 : RMB4.869 and S\$1.00 : HK\$5.726, being the applicable exchange rates as at 23 October 2017, have been applied to the figures included in this announcement.

1. INTRODUCTION

1.1. The Proposed Sale

The board of directors (the “**Board**”) of Combine Will International Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that:

- (a) Combine Will Industrial Company Limited (联志工业有限公司) (“**CWIC**”) has entered into a share transfer agreement dated 27 October 2017 with Veken Group Co., Ltd. (维科控股集团股份有限公司) (Company Registration No.: 91330200704847832K) (“**Veken**”) for the proposed sale of 100% of the registered share capital of Dongguan Lian Zhi Business Management Co., Ltd. (东莞联志企业管理有限公司) (“**DGLZ**”) for an aggregate consideration of RMB100,000,000 (approximately S\$20,538,098) (the “**Proposed DGLZ Sale**”); and
- (b) Altrust Precision Tooling Company Limited (忠信制模有限公司) (“**APTC**”) has entered into a share transfer agreement dated 27 October 2017 with Veken for the proposed sale of 100% of the registered share capital of Dongguan Zhong Xin Business Management Co., Ltd. (东莞忠信企业管理有限公司) (“**DGZX**”) for an aggregate consideration of RMB 60,000,000 (approximately S\$12,322,859) (the “**Proposed DGZX Sale**”).

As the Proposed DGLZ Sale and the Proposed DGZX Sale (collectively, the “**Proposed Sale**”) when aggregated pursuant to Rule 1005 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**Listing Manual**”) constitute a major transaction pursuant to Chapter 10 of the Listing Manual, a circular setting out information relating to the rationale for, the tangible benefits and the financial effects of, the Proposed Sale will be issued to the shareholders of the Company (the “**Shareholders**”) in due course to seek Shareholders’ approval for the same at an extraordinary general meeting (the “**EGM**”) to be convened at a later date.

1.2. Information on DGLZ

DGLZ was incorporated in Dongguan, Guangdong, the People’s Republic of China (the “**PRC**”) on 27 April 2017 and has a registered share capital of HK\$17,447,600. It is a wholly-owned

subsidiary of CWIC, which is in turn an indirect wholly-owned subsidiary of the Company. As at the date of this announcement, DGLZ is not engaged in any business activities although pursuant to the share transfer agreement between CWIC and Veken, the registered ownership of a property comprising five buildings with a land area of 32,685.72 square metres and a total building area of 57,023.16 square metres located at Hengli Town, Xincheng Industrial Zone, Dongguan, Guangdong, the PRC (the “**DGLZ Property**”) shall be transferred from Lian Zhi Toys Gift (Dongguan) Co., Ltd. (联志玩具礼品(东莞)有限公司) (“**LZTG**”) to DGLZ by 31 March 2018. DGLZ and LZTG are both wholly-owned subsidiaries of Combine Will Industrial Co., Ltd., which is a wholly-owned indirect subsidiary of the Company.

The DGLZ Property is currently being used by the Group as factory premises and is not subject to any existing tenancies or mortgages. As a condition precedent to the completion of the Proposed DGLZ Sale, DGLZ and LZTG, an indirect wholly-owned subsidiary of the Company, will enter into a lease agreement pursuant to which LZTG will lease the DGLZ Property to be used as factory premises. Please refer to Paragraph 3.3.1(a) of this Circular for further details on the lease.

1.3. Information on DGZX

DGZX was incorporated in Dongguan, Guangdong, the PRC on 24 April 2017 and has a registered share capital of HK\$5,121,650. It is a wholly-owned subsidiary of APTC, which is in turn an indirect wholly-owned subsidiary of the Company. As at the date of this announcement, DGZX is not engaged in any business activities although pursuant to the share transfer agreement between APTC and Veken, the registered ownership of a property comprising seven buildings with a land area of 32,994.88 square metres and a total building area of 28,255.30 square metres located at Hengli Town, Xincheng Industrial Zone, Dongguan, Guangdong, the PRC (the “**DGZX Property**”) shall be transferred from Altrust Precision Tooling (Dongguan) Co., Ltd. (忠信制模(东莞)有限公司) (“**APTD**”) to DGZX by 31 March 2018. Both DGZX and APTD are wholly-owned subsidiaries of Altrust Precision Tooling (Samoa) Co., Ltd., which is an indirect wholly-owned subsidiary of the Company.

The DGZX Property is currently being used by the Group as factory premises and is not subject to any existing tenancies or mortgages.

1.4. Information on Veken

Veken is incorporated in the PRC and has its registered address at Room 20-1 No. 225 Liuting Street, Haishu District, Ningbo, the PRC, and is principally engaged in businesses relating to the textile, trade, real estate, investment and energy technology industries.

2. CONSIDERATION AND VALUE OF THE ASSETS

The aggregate consideration for the Proposed DGLZ Sale is RMB100,000,000 (approximately S\$20,538,098) and the aggregate consideration for the Proposed DGZX Sale is RMB60,000,000 (approximately S\$12,322,859) (collectively, the “**Consideration**”). The Consideration will be fully satisfied in cash and was arrived at pursuant to arm’s length negotiations between the parties on a willing-buyer willing-seller basis, after taking into account the following:

- (a) the independent valuation of the DGLZ Property (the “**DGLZ Property Valuation Report**”) as at 30 April 2017 based on the valuation report dated 10 May 2017 prepared by Guangdong Zheng Liang Real Estate Assets Appraisal Co., Ltd. (广东正量土地房地产

资产评估有限公司) (“**Guangdong Zheng Liang**”), which was appointed by LZTG on 30 April 2017. The DGLZ Property Valuation Report states the estimated market value of the DGLZ Property as RMB102,450,000 (approximately S\$21,041,282). The valuation was conducted in accordance with the relevant PRC laws and regulations, as well as the PRC National Standard Code for Real Estate Appraisal (GB/T50291-2015), the PRC National Standard Basic Terminology Standards of Real Estate Appraisal (GB/T50899-2013) and the PRC National Standard Urban Land Evaluation Procedures (GB/T 18508-2014), and based on, amongst others, the following factors: (i) the quality of the construction of the property; (ii) the environmental conditions in the area in which the property is located; (iii) the fact that the real estate market in Dongguan City has been active in recent years; and (iv) the RMB interest rates released by the People’s Bank of China;

- (b) the independent valuation of the DGZX Property (the “**DGZX Property Valuation Report**, and together with the DGLZ Property Valuation Report, the “**Valuation Reports**”) as at 30 April 2017 based on the valuation report dated 10 May 2017 prepared by Guangdong Zheng Liang, which was appointed by APTD on 30 April 2017. The DGZX Property Valuation Report states the estimated market value of the DGZX Property as RMB60,520,000 (approximately S\$12,429,657). The valuation was conducted in accordance with the relevant PRC laws and regulations, as well as the PRC National Standard Code for Real Estate Appraisal (GB/T50291-2015), the PRC National Standard Basic Terminology Standards of Real Estate Appraisal (GB/T50899-2013) and the PRC National Standard Urban Land Evaluation Procedures (GB/T 18508-2014), and based on, amongst others, the following factors: (i) the quality of the construction of the property; (ii) the environmental conditions in the area in which the property is located; (iii) the fact that the real estate market in Dongguan City has been active in recent years; and (iv) the RMB interest rates released by the People’s Bank of China; and
- (c) the book value of the DGLZ Property and the DGZX Property, which as at 30 June 2017 is RMB16,272,056 (approximately S\$3,341,971) and RMB5,216,192 (approximately S\$1,071,307) respectively.

As at 30 June 2017, the book value and net tangible asset value of the equity interest to be sold pursuant to the Proposed DGLZ Sale is RMB16,272,056 (approximately S\$3,341,971) and RMB16,272,056 (approximately S\$3,341,971) respectively, and the book value and net tangible asset value of the equity interest to be sold pursuant to the Proposed DGZX Sale is RMB5,216,192 (approximately S\$1,071,307) and RMB5,216,192 (approximately S\$1,071,307) respectively.

The excess of the consideration received over the book value of the equity interest to be sold pursuant to the Proposed DGLZ Sale is RMB83,727,944 (approximately S\$17,196,127), and the excess of the consideration received over the book value of the equity interest to be sold pursuant to the Proposed DGZX Sale is RMB54,783,808 (approximately S\$11,251,552).

3. PRINCIPAL TERMS OF THE PROPOSED SALE

The principal terms of the share transfer agreement dated 27 October 2017 entered into between CWIC and Veken, and the share transfer agreement dated 27 October 2017 entered into between APTC and Veken, are set out as follows.

3.1. Sale and Purchase

Veken shall purchase 100% of the registered share capital of DGLZ and 100% of the registered share capital of DGZX free from all encumbrances and together with all rights, benefits and entitlements attaching thereto.

3.2. Payment Terms

3.2.1. Proposed DGLZ Sale

- (a) Prior to the execution of the share transfer agreement, Veken shall pay to CWIC a deposit of RMB10,000,000 (approximately S\$2,053,810) and an initial payment of RMB20,000,000 (approximately S\$4,107,620) to a bank account designated by CWIC.
- (b) Upon completion of the relevant real estate registrations in respect of the DGLZ Property, CWIC shall provide a copy of the real estate certificate registered in the name of DGLZ to Veken who shall, within seven (7) business days from the date of receipt, pay to CWIC an additional sum of RMB80,000,000 (approximately S\$16,430,479) to a bank account jointly managed by CWIC and Veken.
- (c) Upon payment of the amounts pursuant to Paragraphs 3.2.1(a) and (b), CWIC or DGLZ shall apply for the relevant share transfer registration in connection with the Proposed DGLZ Sale on or prior to 11 May 2018. Upon completion of the relevant share transfer registration, Veken shall, within three (3) business days from receiving the relevant written instructions from CWIC, unconditionally cooperate with CWIC to procure the release of the amounts paid pursuant to Paragraph 3.2.1(b) (less an approximate sum of RMB10,000,000 (approximately S\$2,053,810), which shall be applied towards tax payments) to a special account for cross-border payments¹, and such amounts will then subsequently be transferred to CWIC's bank account in Hong Kong or, if such transfer is not in compliance with the relevant PRC laws, a bank account mutually agreed between CWIC and Veken.

3.2.2. Proposed DGZX Sale

- (a) Prior to the execution of the share transfer agreement, Veken shall pay to APTC a deposit of RMB6,000,000 (approximately S\$1,232,286) and an initial payment of RMB12,000,000 (approximately S\$2,464,572) to a bank account designated by APTC.
- (b) Upon completion of the relevant real estate registrations in respect of the DGZX Property, APTC shall provide a copy of the real estate certificate registered in the name of DGZX to Veken who shall, within seven (7) business days from the date of receipt, pay to APTC an additional sum of RMB50,000,000 (approximately S\$10,269,049) to a bank account jointly managed by APTC and Veken.
- (c) Upon payment of the amounts pursuant to Paragraphs 3.2.2(a) and (b), APTC or DGZX shall apply for the relevant share transfer registration in connection with the Proposed DGZX Sale on or prior to 11 May 2018. Upon completion of the relevant share transfer registration, Veken shall, within three (3) business days from receiving the relevant

¹ This is for the purposes of compliance with the relevant foreign exchange regulations in the PRC. While the special account for cross-border payments shall be jointly managed by CWIC and Veken, the beneficial ownership of the amounts in the special account for cross-border payments shall vest solely with CWIC.

written instructions from APTC, unconditionally cooperate with APTC to procure the release of the amounts paid pursuant to Paragraph 3.2.2(b) (less an approximate sum of RMB8,000,000 (approximately S\$1,643,048), which shall be applied towards tax payments) to a special account for cross-border payments², and such amounts will then subsequently be transferred to APTC's bank account in Hong Kong or, if such transfer is not in compliance with the relevant PRC laws, a bank account mutually agreed between APTC and Veken.

3.3. Conditions Precedent

3.3.1. Completion of the Proposed DGLZ Sale shall be conditional upon the following conditions precedent having been fulfilled:

- (a) the execution of a lease agreement for a term of three (3) years between DGLZ and LZTG in respect of the DGLZ Property which shall be effective from the date on which the relevant share transfer registration in connection with the Proposed DGLZ Sale is completed. The monthly rental payable under the lease agreement is RMB627,255 (approximately S\$128,826). During the first and second year of the term, neither party shall be entitled to terminate the lease agreement. During the third year of the term, provided that six (6) months' notice in writing is provided to DGLZ, LZTG (but not DGLZ) may terminate the lease agreement or reduce the gross floor area being leased. On the third anniversary of the date on which the lease term commenced, the monthly rental shall be subject to an increment of five per cent (5%). In the event that DGLZ intends to sell the DGLZ Property, it shall provide six (6) months' prior notice in writing to LZTG who shall have a first right of refusal to purchase the DGLZ Property on the same terms and conditions which are offered by DGLZ to the third party purchaser;
- (b) where necessary, the approval of the Shareholders for the Proposed DGLZ Sale pursuant to Chapter 9 (Interested Person Transaction) and/or Chapter 10 (Acquisitions and Realisations) of the Listing Manual having been obtained at the EGM; and
- (c) all other relevant approvals, authorisations, clearances, confirmations, consents and/or waivers, as may be required, in connection with the Proposed DGLZ Sale having been obtained and not withdrawn or revoked.

3.3.2. Completion of the Proposed DGZX Sale shall be conditional upon the following conditions precedent having been fulfilled:

- (a) where necessary, the approval of the Shareholders for the Proposed DGZX Sale pursuant to Chapter 9 (Interested Person Transaction) and/or Chapter 10 (Acquisitions and Realisations) of the Listing Manual having been obtained at the EGM; and
- (b) all other relevant approvals, authorisations, clearances, confirmations, consents and/or waivers, as may be required, in connection with the Proposed DGZX Sale having been obtained and not withdrawn or revoked.

APTC shall also ensure that all use rights associated with the DGZX Property are vested in Veken on or prior to 31 May 2018.

² This is for the purposes of compliance with the relevant foreign exchange regulations in the PRC. While the special account for cross-border payments shall be jointly managed by APTC and Veken, the beneficial ownership of the amounts in the special account for cross-border payments shall vest solely with APTC.

4. FINANCIAL EFFECTS OF THE PROPOSED SALE

4.1. Bases and Assumptions

The following 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 Sale (“**Completion**”). The financial effects of the Proposed Sale on the Group as set out below are based on the Group’s audited financial statements for the year ended 31 December 2016 and the following assumptions:

- (a) the financial effects on the Group’s net tangible assets (“**NTA**”) attributable to the Shareholders and the NTA per ordinary share in the capital of the Company (“**Share**”) have been computed assuming that Completion took place on 31 December 2016; and
- (b) the financial effects on the Group’s earnings attributable to the Shareholders and the earnings per Share (“**EPS**”) have been computed assuming that Completion took place on 1 January 2016.

4.2. Share Capital

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

4.3. NTA per Share

	Before the Proposed Sale	After Completion
NTA ⁽¹⁾ attributable to the Shareholders (S\$’000) ⁽¹⁾	102,895	130,830
Number of Shares (’000)	32,327	32,327
NTA per Share (cents) ⁽¹⁾	3.18	4.05

Notes:-

- (1) NTA means total assets less the sum of total liabilities, non-controlling interest and intangible assets (net of non-controlling interest).
- (2) For the purposes of this Section 4.3, an exchange rate of S\$1.00 : HK\$5.3625 (being the relevant exchange rate as at 31 December 2016) has been applied.

4.4. EPS

	Before the Proposed Sale	After Completion
Profit after taxation and non-controlling interests (S\$’000) ⁽¹⁾	(6,470)	21,464
Weighted average number of Shares (’000)	32,327	32,327

EPS (cents) ⁽¹⁾	(0.20)	0.66
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Note:-

- (1) For the purposes of this Section 4.4, an exchange rate of S\$1.00 : HK\$5.4825 (being the average exchange rate as at 1 January 2016) has been applied.

4.5. Gearing

	Before the Proposed Sale	After Completion ⁽²⁾
Net borrowings / (cash) ⁽¹⁾ as at 31 December 2016 (S\$'000) ⁽³⁾	7.01	0.58
Shareholders' equity (S\$'000) ⁽³⁾	102,895	130,830
Gearing (times)	1.81	5.48

Notes:-

- (1) Net borrowings means total borrowings less cash and bank balances. Net cash means cash and bank balances are more than total borrowings.
- (2) For the purposes of this Section 4.5, an exchange rate of S\$1.00 : HK\$5.3625 (being the relevant exchange rate as at 31 December 2016) has been applied.

5. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

The relative figures of the Proposed Sale (which have been aggregated for this purpose pursuant to Rule 1005 of the Listing Manual) computed on the bases as set out in Rule 1006 of the Listing Manual and based on the latest unaudited financial statements of the Group for the financial period which commenced on 1 January 2017 and ended on 30 June 2017 ("1H2017") are set out as follows:

	Bases Under Rule 1006	Relative Figure
(a)	The NAV of the assets to be disposed of, compared with the Group's NAV. This basis is not applicable to an acquisition of assets.	5.3%
(b)	The net profits / (loss) ⁽¹⁾ attributable to the assets acquired or disposed of, compared with the Group's net profits.	0% ⁽²⁾
(c)	Aggregate value of the consideration received, compared with the Company's market capitalisation based on the total number of issued Shares excluding treasury shares.	124.0% ⁽³⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	N.A.

	Bases Under Rule 1006	Relative Figure
(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.	N.A.

Notes:-

- (1) Net profits / loss means profit or loss before income tax, minority interest and extraordinary items.
- (2) Based on the aggregate net profits / (loss) attributable to the equity interest to be sold pursuant to the Proposed DGLZ Sale and the equity interest to be sold pursuant to the Proposed DGZX Sale of nil and the net profits / (loss) attributable to the Group for 1H2017 of HK\$2,509,000 (approximately S\$438,177). For the purposes of this Note (2), an exchange rate of S\$1.00 : HK\$5.3625 (being the relevant exchange rate as at 31 December 2016) has been applied. As described in Paragraph 1.2 and Paragraph 1.3 of this Circular above, DGLZ and DGZX were incorporated on 27 April 2017 and 24 April 2017 respectively, and do not currently have any business operations. As such, there are no net profits / (loss) attributable to the equity interest to be sold pursuant to the Proposed DGLZ Sale and the equity interest to be sold pursuant to the Proposed DGZX Sale.
- (3) Based on the Consideration of RMB160,000,00 (approximately S\$32,860,957) and the market capitalisation of the Company being S\$26,508,468, which is calculated based on the weighted average price of S\$0.82 per Share on 26 October 2017 (being the market day preceding the date of the share transfer agreements) and 32,327,400 Shares in issue as at 27 October 2017 (being the date of the share transfer agreements).

Accordingly, the Proposed Sale is a major transaction pursuant to Chapter 10 of the Listing Manual

6. RATIONALE FOR THE PROPOSED SALE AND USE OF NET SALE PROCEEDS

In line with the Group's strategy to enhance its production base, the Company and LZTG have on 27 October 2017 entered into an investment agreement with the Cangwu County People's Government of the PRC (the "**Cangwu Government**") pursuant to which, the Group and the Cangwu Government will jointly invest in the construction of a production facility for the manufacture of products including toys, plastic gifts, plastic hardware products and computer accessories with an approximate floor area of 59,000 square metres in Cangwu County Industrial Park, Guangxi, the PRC (the "**Cangwu Production Facility**"). With this relocation, the greater cost efficiencies in the lower-cost county, coupled with ample labour supply and attractive municipal government incentives and subsidies, will provide the Company with higher margins to enhance the core competitiveness of the Group's production capabilities. As such, the Group has decided to sell its interests in the DGLZ Property and the DGZX Property through the Proposed Sale. In the interim period prior to the commencement of full operations at the Cangwu Production Facility, the Group will continue to undertake its production operations at the DGLZ Property which will be leased by LZTG from DGLZ. Please refer to Paragraph 3.3.1(a) of this Circular for further details on the lease agreement.

The net sale proceeds from the Proposed Sale will be approximately RMB157,500,000 (approximately S\$32,347,505) (after deducting taxes and expenses of approximately RMB2,500,000 (approximately S\$513,452) incurred in connection with the Proposed Sale) (the "**Net Sale Proceeds**"). The intended use of the Net Sale Proceeds is as follows:

- (a) approximately RMB80,000,000 (approximately S\$16,430,479) will be used to reduce the

overall indebtedness of the Group amounting to HK\$287,527,000 (approximately S\$50,214,286) which was incurred for working capital and business operation purposes, which will increase the liquidity of the Group; and

- (b) the remainder of approximately RMB77,500,000 (approximately S\$15,917,026) will be used to fund the Group's working capital requirements to carry out the core businesses of the Group and/or such other purposes as the Directors may deem fit. Pending the deployment of the Net Sale Proceeds for such purpose, the Net Sale Proceeds may be deposited with banks and/or financial institutions, invested in short-term money market instruments and/or marketable securities, or used for any other purpose on a short-term basis as the Directors may in their absolute discretion, deem fit.

7. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

None of the Directors or substantial shareholders or their respective associates, has any interest, direct or indirect, in the Proposed Sale.

8. SERVICE CONTRACTS

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

9. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal office 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 three (3) months from the date of this announcement:

- (a) the Constitution of the Company;
- (b) the annual report of the Company for the financial year ended 31 December 2016;
- (c) the share transfer agreement in respect of the Proposed DGLZ Sale dated 27 October 2017 entered into between CWIC and Veken;
- (d) the share transfer agreement in respect of the Proposed DGZX Sale dated 27 October 2017 entered into between APTC and Veken;
- (e) the lease agreement in respect of the DGLZ Property dated 27 October 2017 entered into between DGLZ and LZTG, which has been appended to the share transfer agreement referred to in sub-paragraph (c) above; and
- (f) the Valuation Reports.

On behalf of the Board

Chiu Hau Shun, Simon
Executive Director
Singapore, 30 October 2017