

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

**OPTION TO SUBSCRIBE FOR 1,111 FULLY PAID REDEEMABLE ORDINARY SHARES
REPRESENTING 10% OF THE SHARE CAPITAL OF
CROWNINGTON INTERNATIONAL HOLDINGS LIMITED**

- FURTHER DISCLOSURES PURSUANT TO RULE 1010 OF THE LISTING MANUAL

The board of directors (the “**Board**”) of Combine Will International Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the earlier announcement (the “**Previous Announcement**”) and the press release dated 17 August 2018. Unless otherwise defined, all capitalised terms used herein shall have the meanings ascribed to them in the Previous Announcement.

1. INTRODUCTION

- 1.1. In the Previous Announcement, it was announced that Combine Will Holdings Limited (the “**Subscriber**”), a wholly-owned subsidiary of the Company, had entered into a share subscription agreement (the “**Subscription Agreement**”) with Crownington International Holdings Limited (“**Crownington**”) pursuant to which the Subscriber had been granted the option to subscribe for 1,111 fully paid redeemable ordinary shares representing 10% of the share capital of Crownington (the “**Subscription Shares**”) for an aggregate consideration (the “**Consideration**”) of HK\$11.7 million (the “**Subscription**”).
- 1.2. With reference to the third paragraph of the Previous Announcement, the Board wishes to clarify that the relative figure computed on the basis of Rule 1006(c) of the Listing Manual in relation to the Subscription is in excess of 5% but less than 20% (specifically, 5.98%), thereby making the Subscription a discloseable transaction for the purposes of Chapter 10 of the Listing Manual. Accordingly, additional information is hereby disclosed as required by Rule 1010 of the Listing Manual.

2. INFORMATION ON CROWNINGTON

Crownington, a private company limited by shares and incorporated in Hong Kong, is primarily engaged in the business of investing in and operating elderly care centres in the United States of America (“**USA**”) with an investment capital of over US\$60 million. Currently, Crownington owns and operates three Living and Memory Care Residences for the elderly with WaterCrest Senior Living Group, a professional elderly care management company in Florida, USA. It plans to invest and operate another 20 elderly care centres in the USA in the next three years. In addition, Crownington has set up three wholly-owned subsidiaries in Beijing, Jiangxi and Zhejiang, the People’s Republic of China (“**PRC**”) with Guangzhou and Shanghai representative offices scheduled to open in the PRC by the end of 2018.

3. PRINCIPAL TERMS OF THE SUBSCRIPTION

The principal terms of the Subscription are set out as follows:

3.1. Redemption Option and Sell Back Option

Under the terms of the Subscription Agreement, Crownington shall have an option to redeem the Subscription Shares (the “**Redemption Option**”) at the Consideration with an interest of 10% per annum on such Consideration to be calculated for the period commencing on the date of allotment of the Subscription Shares and ending on the date of redemption of the Subscription Shares. The Subscriber shall also have an option to sell back the Subscription Shares at the Consideration paid to Crownington without interest (the “**Sell Back Option**”). The Redemption Option and the Sell Back Option must be exercised by the relevant party within three (3) years from the date of the Subscription Agreement.

3.2. Consideration

The Consideration for the Subscription is HK\$11.7 million which was determined pursuant to commercial negotiations between the Board (excluding Mr. Ning Li and Mr. Simon Chiu) and Crownington in good faith and on an arm’s length basis, taking into account the following factors:

- (a) the book value and net tangible assets (“**NTA**”) value of the Subscription Shares as at 30 June 2018, which is HK\$178,240;
- (b) Crownington’s reputation as a well-regarded player in the market for elderly care which will facilitate the Group’s entry into this niche market segment; and
- (c) the potential growth opportunities in the elderly related products market due to increased aging populations.

The Consideration will be funded by internal resources of the Group

3.3. Method of Payment

All payments of the Consideration and any interest shall be made in cash on the respective completion dates into the relevant party’s designated account, the details of which shall be notified by the recipient to the paying party at least five (5) working days prior to the relevant completion date.

3.4. Conditions Precedent

3.4.1. Completion of the allotment, redemption or sell back of the Subscription Shares is conditional upon, *inter alia*, the following terms being satisfied or waived at the sole discretion of Crownington and its shareholders:

- (a) all the Subscription Shares having been fully paid up; and
- (b) the relevant resolutions approving, *inter alia*, the waiver of any existing rights of pre-emption over the allotment and issue of the Subscription Shares and the allotment and issue, redemption and sell back of the Subscription Shares, having been passed by the shareholders and board of directors of Crownington in accordance with the articles of association of Crownington and the Companies Ordinance, Cap 622.

3.4.2. Completion of the allotment, redemption or sell back of the Subscription Shares is conditional upon, *inter alia*, the following terms being satisfied or waived at the sole discretion of the Subscriber:

- (a) all necessary consents, approvals and waivers from all relevant government bodies and regulatory authorities for or in connection with the transactions contemplated in the Subscription Agreement and all other transactions in connection therewith and incidental thereto, having been obtained by Crownington;
- (b) the specific approval of the Board having been duly obtained for the Subscriber to enter into, deliver and perform its obligations under the Subscription Agreement and for the Subscriber to undertake the transactions contemplated in the Subscription Agreement and all other transactions in connection therewith and incidental thereto; and
- (c) the specific approval of the board of directors of Crownington having been duly obtained for Crownington to enter into, deliver and perform its obligations under the Subscription Agreement and for Crownington to undertake the transactions contemplated in the Subscription Agreement and all other transactions in connection therewith and incidental thereto.

3.4.3. Completion of the allotment of the Subscription Shares (the “**Subscription Completion**”) is also conditional upon, *inter alia*, the following terms being satisfied or waived at the sole discretion of the Subscriber:

- (a) for the period between the date of the Subscription Agreement and the date of the Subscription Completion, Crownington not having allotted or issued, or having agreed to allot or issue, any share or loan capital, and there being no change to the existing share capital of Crownington as at the date of the Subscription Agreement;
- (b) no material adverse change (as determined by the Subscriber in its reasonable discretion) in or effect on the business, assets and liabilities, prospects, operations, conditions (financial or otherwise) of Crownington having occurred between 31 December 2017 and the date of the Subscription Completion; and
- (c) Crownington is not insolvent or unable to pay its debts within such grace period as such debts fall due.

3.5. Indemnity

Without restricting the rights of the Subscriber or its ability to claim damages on any basis, the shareholders of Crownington jointly and severally undertake to indemnify, and to keep indemnified, the Subscriber against all losses or liabilities which may be suffered or incurred by it and which arise directly or indirectly in connection with any breach of the Subscription Agreement by the shareholders of Crownington and/or Crownington.

3.6. Right of First Refusal

The shareholders of Crownington and the Subscriber undertake to each other that it/he will not create any pledge, charge, security, lien or encumbrance over, grant any option, sell, transfer, or otherwise dispose of its/his shares in Crownington to a third party, except in accordance with the provisions relating to the right of first refusal as set out in the Subscription Agreement.

4. VALUE OF THE SUBSCRIPTION SHARES

As at 30 June 2018, the book value and net tangible asset value of the Subscription Shares

are HK\$178,240. The open market value of the Subscription Shares is not available as the shares of Crownington are not publicly traded. No valuation was conducted on the Subscription Shares.

5. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

5.1. Bases and Assumptions

The following are presented for illustration purposes only and are not intended to reflect the actual future financial situation of the Company after the Subscription Completion. The financial effects of the Subscription on the Company as set out below are based on the Group's latest audited financial statements for the financial year ended 31 December 2017 ("FY2017") and the following assumptions:

- (a) the financial effects on the Group's NTA attributable to the shareholders of the Company (the "Shareholders") and the NTA per ordinary share in the capital of the Company ("Share") have been computed assuming that the Subscription Completion took place on 31 December 2017; 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 the Subscription Completion took place on 1 January 2017.

5.2. Share Capital

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

5.3. NTA per Share

	Before the Subscription	After the Subscription Completion
NTA ⁽¹⁾ attributable to the Shareholders (HK\$'000)	586,062	575,689
Number of Shares ('000)	32,327	32,327
NTA per Share (HK\$)	18.13	17.81

Note:-

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

5.4. EPS

	Before the Subscription	After the Subscription Completion
Profit after taxation and non-controlling interests (HK\$'000)	10,489	10,489
Weighted average number of Shares ('000)	32,327	32,327
EPS (HK cents)	32.45	32.45

5.5. Gearing

	Before the Subscription	After the Subscription Completion
Net borrowings / (cash) ⁽¹⁾ as at 31 December 2017 (HK\$'000)	142,231	159,931
Shareholders' equity (HK\$'000)	587,989	577,616
Gearing (times)	24.19	26.65

Note:-

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

6. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

The relative figures of the Subscription 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 second quarter and three months ended 30 June 2018 ("2Q2018") are set out as follows:

	Bases Under Rule 1006	Relative Figure
(a)	The net asset value ("NAV") of the assets to be disposed of, compared with the Group's NAV. This basis is not applicable to an acquisition of assets.	N.A.
(b)	The net profits / (loss) ⁽¹⁾ attributable to the assets acquired or disposed of, compared with the Group's net profits.	0.19% ⁽²⁾⁽⁴⁾
(c)	Aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued Shares excluding treasury shares.	5.98% ⁽³⁾⁽⁴⁾
(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.
(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 net profits / (loss) attributable to the Subscription Shares of HK\$13,799 (approximately S\$2,417) and the net profits / (loss) attributable to the Group for 2Q2018 of HK\$7,111,000 (approximately S\$1,245,763).
- (3) Based on the consideration of HK\$11.7 million (approximately S\$2,049,701) and the market capitalisation of the Company being S\$34,267,044, which is calculated based on the weighted average price of S\$1.06 per Share on 16 August 2018 (being the market day preceding the date of the Subscription Agreement) and 32,327,400 Shares in issue as at 17 August 2018 (being the date of the Subscription Agreement).
- (4) An exchange rate of S\$1 : HK\$5.70815, being the relevant exchange rate as at 16 August 2018, was applied.

7. RATIONALE FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Subscription is a planned diversification in line with the Group's strategies to expand its revenue streams through more optimal utilisation of its internal capacities and established track record in manufacturing of consumer products to tap on the growing potential of the prospective elderly consumer market. With Crownington's current and planned expansion in the USA, the

Board believes that this investment will be value-accretive. In addition, it is a significant move as Crownington, a well-regarded player in the market for elderly, will facilitate the Group's entry into this niche market segment that has promising market potential. It will help to diversify the Group's reliance on the premiums and toys market. With the Group's strong R&D capacity, track record and management expertise in manufacturing, the Board believes this cooperation is an effective and efficient way for the Group to enter into the elderly consumer goods' market.

8. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Mr. Ning Li, a Non-Executive and Independent Director of the Company, holds 60% of the share capital of Crownington. On 8 August 2018, Mr. Ning Li was also appointed as a director of Crownington. Mr. Simon Chiu, an Executive Director of the Company, is a director of Crownington and also holds 10% of its share capital. However, as the value of the Subscription is less than 3% of the Group's latest audited NTA, the requirements of Chapter 9 of the Listing Manual are not applicable to the Subscription. In view of their respective interests in Crownington, Mr. Ning Li and Mr. Simon Chiu will abstain from participating in the Board's deliberation and decision-making process in relation to the Subscription.

Save for the foregoing, none of the directors or controlling shareholders of the Company has any interest, direct or indirect (other than through their shareholdings in the Company), in the Subscription.

9. SERVICE CONTRACTS

No service contracts will be entered into in connection with the Subscription.

10. 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 FY2017; and
- (c) the Subscription Agreement.

BY ORDER OF THE BOARD

Dominic Tam
Executive Director
9 September 2018