

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
COMMENTS ON THE FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE SECOND
HALF-YEAR AND YEAR ENDED 31 DECEMBER 2020**

The Board of Directors (the “**Board**”) of Combine Will International Holdings Limited (the “**Company**”) wishes to respond to comments received on 29 March 2021 from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in relation to the Financial Statements announcement released by the Company in respect of the second half-year and year ended 31 December 2020 (the “**FY2020 Financial Statements Announcement**”).

Capitalised terms used herein, unless otherwise defined, shall have the definitions ascribed to them in the FY2020 Financial Statements Announcement.

SGX-ST Query (a)

It is noted that under current assets, the Group's contract assets amounted to HK\$ 418,017,000 as at 31.12.20. Please disclose the nature of the contract assets.

Company's Response

The Group's contract assets comprised receivables from contract with customers within the scope of IFRS15 of HK\$419.7 million less allowance for impairment of HK\$1.7 million made.

Payment for the manufacturing services is not due from the customers until the transfer of the promised good to the customer and therefore a contract asset revenue is recognized over the period in which the manufacturing services are performed to represent that the entity has an enforceable right to payment for performance completed to date. These contract assets are mainly balances due from our customers under manufacturing contracts that arise when the Group's enforceable right to receive payments from customers commensurate with the progress of our performance obligation.

SGX-ST Query (b)

It is noted that under current liabilities, the Group's short-term loans and borrowings amounted to HK\$ 384,125,000 as at 31.12.20. Please disclose:-

- (i) Details of the short-term loans and borrowings, including the terms of the loans and borrowings, interest on the loans and borrowings and maturity dates;*
- (ii) A breakdown of the lenders and their identities;*
- (iii) When were the loans obtained and approved by the Board including the Audit Committee; and*
- (iv) The use of the proceeds from the short-term loans and borrowings.*

Company's Response

(i)

The short-term loans and borrowings comprised (i) short term loans of HK\$82.9 million and (ii) trust receipts and import loans of HK\$301.2 million. Their details are as follows:

Short-term loans and borrowings -- Revolving loan:

Terms	Interest (p.a.)	Maturity date	Total Amount (HK'000)
1 month or 3 months or 6 months	HIBOR+2.25% or HIBOR+2.5%	4/1/2021~2/6/2021	54,000

Short-term loans and borrowings -- Term-loan -- current portion:

Terms	Interest (p.a.)	Maturity date	Total Amount (HK' 000)
48 months	HIBOR+2.25% or HIBOR+2.5%	23/7/2022~4/1/2023	28,875

Short-term loans and borrowings -- Trust receipts/Import Loans:

Terms	Interest (p.a.)	Maturity date	Total Amount (HK' 000)
3 months or 4 months	HIBOR+1.75% or HIBOR+2% or HIBOR+2.25%	4/1/2021~23/4/2021	301,250

Total: 384,125

(ii)

The Group's principal lenders include:

1. CMB Wing Lung Bank
2. DBS Bank (Hong Kong) Limited
3. The Bank of East Asia Limited
4. Standard Chartered Bank (Hong Kong) Limited
5. The Hongkong and Shanghai Banking Corporation Limited
6. United Overseas Bank Limited
7. CTBC Bank Co., Ltd.
8. Chong Hing Bank Limited
9. Bank of China (Hong Kong) Limited

(iii)

Due to need for expediency in responding to operational requirements, it is not feasible nor the universally accepted position for non-executive directors to be involved in the day-to-day approvals of the short-term loans and borrowings.

Prior to incurrence and drawdowns, the short-term loans and borrowings are subject to the operational needs and required approval process and procedures. These are also subject to independent checks by the accounts department of the required approval matrices under the approval processes, e.g. any two directors are required to duly authorize each draw-down. As part of the internal compliance/audit process, there are internal audit reviews of the various processes conducted and the reports of the findings as well as the follow up remedial measures are presented to the Board during formal meetings. In addition, the Board including the Audit Committee are updated regularly on the financial position of the Company, the level of bank borrowings with updates of significant banking relationships at these Board meetings (including banking updates from the Group's meetings with its major lenders).

(iv)

The above trusts receipts and import loan and short-term loans are used to finance the Group's purchases of raw materials used in the manufacture of our final products and to pay its day-to-day operational requirements and expenditure including manufacturing consumables, rental, utility expenses, and salaries.

SGX-ST Query (c)

Given the Group's current liabilities of HK\$ 834,499,000 and bank and cash balances of only HK\$ 57,155,000, please disclose the Board's assessment:-

- (i) whether the Company's current assets are adequate to meet the Company's short-term liabilities of HK\$ 834,499,000, including its bases of assessment; and*
- (ii) how the Company intends to fulfil its significant payment obligations in the next 12 months.*

Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

Board's Response

(i)

The Company liquidity ratios remains within acceptable margins with net current assets of HK\$292.5 million, current ratio of 1.35 times and quick acid test ratio of 1.19 times. Besides its bank and cash balances HK\$57.2 million, it has an additional HK\$118 million of bank lines available for drawdown. In addition, it will be able to call on its financial assets of HK\$120.3 million in the unlikely event it is required to urgently repay its obligations.

A total of HK\$116.0 million of the current liabilities arose as a result of the Group's trade and contractual obligations and does not involve cash payment. These includes obligations to deliver finished products (in respect of Mould and trade deposit received) as well as provisions for contract and financial liability.

Based on above as well as the expected receipts of its customers payments, the Board is of the view that the Company has sufficient assets and resources to repay its obligations when due.

(ii)

The Group is in a healthy financial position and has, in place, loan and debt payments schedule based on its operational forecast. It has not breached any banking covenants and is not under any requirement to enter into any plan/arrangement to repay its debt obligations.

SGX-ST Query (d)

It is noted that the Group had other gain and (other loss) of HK\$ 51,815,000 for the 12 months ended 31 December 2020 compared to HK\$ 25,894,000 for the 12 months ended 31 December 2019; and HK\$ 31,123,000 for the 6 months ended 31 December 2020 compared to HK\$ 16,399,000 for the 6 months ended 31 December 2019.

- (i) *Please explain the reason for the increase and the nature of the other gain and (other loss) financial statement line item.*

Company's Response

- (i)

The details of the other gains and (other loss) are as follows :

	2020	2019
	HK\$'000	HK\$'000
Interest income on bank deposits	91	742
Imputed interest income	286	290
Miscellaneous receipts	8,891	9,144
Mould engineering income, net	14,688	4,975
Rental income	606	998
Sales of scrap materials	2,216	1,939
Government grants	18,701	1,480
Reversal of allowance for inventories	4,500	-
Reversal of severance pay provision	-	2,000
Fair value gain on financial asset at fair value through profit or loss	793	4,326
Amortization of financial guarantee	1,133	-
Total	51,815	25,894

In FY2020, the Company received government grants of HK\$18.7 million (FY2019 – HK\$1.5 million) as incentives to encourage the development of the Group, as recognition of the Company's contribution to the local economy as well as wage and operation support during the COVID-19 outbreak. There was also mould income of HK\$14.7 million (FY2019 – HK\$5 million) due to increased demand from our major customers for molds engineering.

The above contributed significantly to the increase in other income in FY2020.

By Order of the Board

Chiu Hau Shun Simon
Executive Director

31 March 2021