Issuer: Combine Will International Holdings Limited

Security: Combine Will International Holdings Limited

Meeting details:
Date: 24 April 2018
Time: 10.00 a.m.
Venue: 10 Collyer Quay, #27-00, Ocean Financial Centre, Singapore 049315

Company Description

Combine Will International Holdings Limited, an investment holding company, operates as an original design manufacturer (ODM)/original equipment manufacturer (OEM) of corporate premiums, toys, and consumer products. The company operates through three divisions: ODM/OEM; Moulds and Tooling; and Trading. It also manufactures plastic injection and die-casting molds; and molds and tooling, as well as fixtures for the automobile, and consumer and household products industries. In addition, the company distributes machineries and precision tools for the manufacture of molds, die-cast, and automobile products; and manufactures electronics parts. Further, it provides consulting services for business information and management, investment, and marketing, as well as for property sales and rental, and property management. Combine Will International Holdings Limited operates in Asia, the Middle East, the United States, and Europe. The company was founded in 1992 and is based in Dongguan, the People's Republic of China. Combine Will International Holdings Limited is a subsidiary of HL Bank Nominees (Singapore) Pte Ltd.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=N0Z)

1. As noted in the Chairman's Message (page 6 of the annual report), the group reported increased revenue of HK$173.0 million, up 14.5% to HK$1.36 billion in FY2017. The group turned around from the full year loss in FY2016, the first since the company's listing on the Singapore Exchange in 2008, and reported a profit attributable to shareholders of HK$10.5 million.

All three business segments of ODM/OEM, Moulds and Toolings, and Machine Sales showed increased revenue and positive segment results (page 14 – Revenue by segments). In particular, the second half of FY2017 accounted for 54% of the full year revenue and nearly 80% of the operating profit after tax before deducting minority interests.

(i) **Can management help shareholders understand the reasons for the significant increase in the revenue and operating profits in the second half of FY2017?**

(ii) On a geographical perspective, Asia performed strongly with a 20% improvement in topline, which accounted for the increase in the group's revenue. Revenue from North America and Europe decreased by 5% and 11% respectively. **What were the reasons for the drop in revenue from these two regions? Are these two regions still important drivers in the group's strategic growth plans?**

(iii) **What are the capacities of the new Sragen plant and of the upcoming Guangxi plant?**

2. The proposed share transfer agreements for Dongguan Lian Zhi Business Management Co., Ltd. and Dongguan Zhong Xin Business Management Co., Ltd. to Veken Group Co., Ltd. were announced on 30 October 2017. This proposed sale was made in consideration of the new production facility in Cangwu County Industrial Park, Guangxi Province (which is expected to commence production before 2019) and the new plant in Sragen, Indonesia.

(i) **Please update shareholders on the progress made in fulfilling the Conditions Precedent.**

(ii) **When does the company expect the sale to be completed?**

As noted in the announcement dated 30 October 2017, the net sale proceeds from the Proposed Sale will be approximately RMB157,500,000 with RMB80,000,000 earmarked to reduced the borrowings of the group.

The company has stated that the remainder balance of approximately RMB77,500,000 will be used to fund the group's working capital requirements.

The borrowings of the group will be reduced from HK$215 million to HK$115 million if the RMB80 million is used to reduce the debt. As disclosed in Note 30 (page 77 – Share capital), the debt-to-adjusted capital ratio stood at 27% as at 31 December 2017, a significant improvement from the debt-to-adjusted capital ratio of 55% a year ago.

Based on the information in the circular to shareholders dated 9 April 2018, the gearing will be reduced to 0.07x upon the completion of the sale.

(iii) **What is the expected capital expenditure required for the new plant in Cangwu?**

(iv) **Has the board evaluated and reviewed the optimal capital structure?** In FY2016, the board has not recommended any dividends because of losses incurred and the financial position of the company. In FY2017, the group reported good profits and its financial position has improved significantly, especially with the proposed sale. **Has the board considered how it could reward shareholders?**

3. As stated in the Corporate Governance Report, Mr Cheung Hok Fung, Alexander and Mr Chia Seng Hee, Jack have served on the board for more than 9 years since their appointments. Mr Ning Li, being first appointed to the board on 8 May 2009, would reach the nine year mark on 7 May 2018.

Guideline 2.4 of the 2012 Code of Corporate Governance calls for a particularly rigorous review of the independence of any director who has served on the board beyond nine years from the date of his first appointment.

(i) **Can the board and the nominating committee (NC) confirm that the independence of Mr Cheung Hok Fung, Alexander and Mr Chia Seng Hee, Jack has been subject to particularly rigorous review?**

(ii) **If so, please describe in detail the process and framework of the particularly rigorous review.**

(iii) **As the NC comprises Mr Chia Seng Hee, Jack (as chairman), Mr Cheung Hok Fung, Alexander and Mr Ning Li, would the board and the NC confirmed that no director was involved in the review of his own independence?**

(iv) **Given that the NC comprises of the two long-tenured independent directors under review, how effective was the NC in discharging its duty of "determining annually whether or not a Director is independent pursuant to the guidelines set out in the Code"?**

(v) Notwithstanding that the NC and the board have determined that the long tenures of the independent directors have not affected their independence, Guideline 2.4 also calls for the board to take into account the need for progressive refreshing of the board. **What are the board's near-term plans to ensure the progressive refreshing of the board in a smooth and non-disruptive manner?**