

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

UPDATE: ESTABLISHMENT OF SUBSIDIARY TO UNDERTAKE A JOINT VENTURE IN TRADING AND MANUFACTURING ACTIVITIES

1. BACKGROUND

- 1.1 The Board of Directors (the “**Board**” or the “**Directors**”) of Combine Will International Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has incorporated a subsidiary during the financial year ended 31 December 2023, the details of which are set out below:

Name	:	Lianmei Toys Manufacturing Company Limited (“ Lianmei Toys ”)
Place of Incorporation	:	Hong Kong
Share Capital	:	Incorporated with an initial ordinary share capital of HK\$500,000 on 21 February 2023 with an increase of the share capital to HK\$35,000,000 through a new share issue and allotment on 25 July 2023.
Percentage of Shareholding	:	At incorporation, the Company indirectly owned, through its wholly-owned subsidiary Combine Will Investment Limited (“ CWIL ”), 100% of the shareholding interest in Lianmei Toys. As at the date of this announcement, the Company indirectly owns, through its wholly-owned subsidiary CWIL, 70% of the shareholding interest in Lianmei Toys.
Principal Activities	:	To undertake trading and manufacturing plush toys activities

- 1.2 The incorporation of Lianmei Toys was funded through the internal resources of the Group, and the follow-on increase in its share capital to HK\$35,000,000 was the result of the (a) subscription for new ordinary shares in the capital of Lianmei Toys (the “**Shares**”) by CWIL in the aggregate amount of HK\$24,000,000 which was funded using the internal resources of the Group, and (b) subscription for new Shares by an unrelated third party, Mayuanda Investment (HK) Co., Limited (“**Mayuanda**”), in the aggregate amount of HK\$10,500,000.
- 1.3 Pursuant to a Joint Venture Agreement dated 3 March 2023 and a Supplemental Agreement dated 16 May 2023 (collectively, the “**JVA**”) entered into between CWIL, Mayuanda and Lianmei Toys (CWIL, Mayuanda and Lianmei Toys collectively, the “**Parties**”, and individually, a “**Party**”) and following the aforesaid share subscriptions, the Company’s resultant shareholding interest in Lianmei Toys is 70% with the balance 30% held by Mayuanda.

2. INFORMATION ON THE JOINT VENTURE COMPANY

- 2.1 As at the date of this announcement, CWIL is a 70% shareholder of Lianmei Toys.

2.2 Lianmei Toys is principally engaged in the setting up and operation of a plush toy business, including related trading activities in Hong Kong, manufacturing operations in Indonesia, and all other related or ancillary activities (collectively, the **“Business”**).

2.3 Pursuant to the JVA, Lianmei Toys shall establish and invest in a subsidiary incorporated in Indonesia with limited liability for the purpose of conducting the Business (the **“Indonesian Entity”**).

3. INFORMATION ON THE JOINT VENTURE PARTNER

3.1 Mayuanda is a private company incorporated in Hong Kong on 8 December 2022 and has an issued and paid-up capital of HK\$1.00 comprising one (1) share.

3.2 Mayuanda and each of its directors and shareholders are not related to the Directors, substantial shareholders of the Company, or their respective associates. As at the date of this announcement, Mayuanda and each of its directors and shareholders do not hold any shares in the share capital of the Company or any other shareholding interest (direct or indirect) in the Company.

4. RATIONALE FOR AND BENEFITS OF THE JOINT VENTURE

4.1 The Group’s entry into the joint venture is in line with the Group’s strategic plans and geographical diversification strategy to enter into the plush toys business, bringing additional value to, and enhancing the operational resilience and manufacturing capabilities of, the Group. In addition, the entry into the joint venture will allow for the Group to leverage on the strong experience and technical expertise of Mayuanda and provide a strategic platform for the Group to execute its business expansion plans.

4.2 In connection with the joint venture, manufacturing lines specifically for the plush toys business have been and/or will be set up to facilitate the Group’s entry into the plush toys business and increase production output, specifically with the view to expand the Business in Indonesia through the Indonesian Entity.

4.3 Accordingly, the Board is of the opinion that the entry into the JVA is in the best interests of the Group.

5. SALIENT TERMS OF THE JOINT VENTURE AGREEMENT

5.1 Subscription of Shares

(a) In addition to the 500,000 Shares subscribed for by CWIL for an aggregate subscription price of HK\$500,000 on the incorporation of Lianmei Toys, each of CWIL and Mayuanda agrees to subscribe for, and Lianmei Toys agrees to allot and issue, an aggregate of 34,500,000 Shares in the capital (the **“Subscription Shares”**) of Lianmei Toys for an aggregate subscription price of HK\$34,500,000, free any encumbrances, in accordance with paragraph 5.1(b) below.

(b) The subscription price in respect of the Subscription Shares shall be and have been paid in three (3) instalments as follows:

(i) the first instalment representing 40% of the respective subscription price for the Subscription Shares, being HK\$9,600,000 by CWIL and HK\$4,200,000 for Mayuanda (or, failing such, by an affiliate of Mayuanda), shall be paid to Lianmei Toys within 15 business days of the date on which Lianmei Toys’ bank account is opened and effective for deposit taking (the **“First Instalment”**). The First Instalment was paid on 2 June 2023;

(ii) the second instalment representing 30% of the respective subscription price for the Subscription Shares, being HK\$7,200,000 by CWIL and HK\$3,150,000

by Mayuanda (or, failing such, by an affiliate of Mayuanda), have been paid to Lianmei Toys (the “**Second Instalment**”) on 20 June 2023; and

- (iii) the third instalment representing 30% of the respective subscription price for the Subscription Shares, being HK\$7,200,000 by CWIL and HK\$3,150,000 by Mayuanda (or, failing such, by an affiliate of Mayuanda), have been paid to Lianmei Toys (the “**Third Instalment**”) on 30 June 2023. The Subscription Shares were issued and allotted by Lianmei Toys on 25 July 2023.

- (c) Upon the allotment and issuance of the Subscription Shares, the shareholding proportion of Lianmei Toys was as follows:

Party	As at the date of the JVA:	As at 25 July 2023:
	Number of Shares held in Lianmei Toys / Shareholding proportion	Number of Shares held in Lianmei Toys / Shareholding proportion
CWIL	500,000 / 100%	24,500,000 / 70%
Mayuanda	-	10,500,000 / 30%
Total	500,000 / 100%	35,000,000 / 100%

5.2 Board Composition

Each of the board of Lianmei Toys and its subsidiaries from time to time (collectively, the “**JV Group**”) shall comprise of three (3) directors, of which CWIL has the right to appoint and maintain in office two (2) directors, and Mayuanda has the right to appoint and maintain in office one (1) director.

5.3 Reserved Matters

The terms of the JVA set out certain customary reserved matters which require the unanimous approval of all directors of the board of Lianmei Toys prior to them being undertaken by Lianmei Toys.

5.4 Undertakings and Obligations

- (a) The Parties agree that the production targets of JV Group shall be:
 - (i) Phase 1 production target – production capacity of 40,000,000 pieces per year (the “**Phase 1 Target**”); and
 - (ii) Phase 2 production target – production capacity of 80,000,000 pieces per year (the “**Phase 2 Target**”).
- (b) CWIL undertakes that it shall:
 - (i) by itself or through its affiliate(s), provide initial financial support (estimated at approximately HK\$100 million to HK\$150 million) on the acquisition of land, construction of buildings and purchase of machines (the “**Land and CAPEX**”), which shall be leased to and used by the JV Group as production facilities on an arm’s length basis and such lease(s) will be subject to approval by the board of Lianmei Toys;
 - (ii) operate the JV Group on a day-to-day basis in respect of the factory operations, business development and human resources management; and
 - (iii) manage the trade financing and banking relationship for the JV Group.

- (c) Mayuanda undertakes, and it shall procure its affiliates to undertake, that it shall:
- (i) provide technical support and know-how skills on plush toy production to the JV Group;
 - (ii) provide product development support (including sampling and design suggestions) to the JV Group;
 - (iii) supervise the planning and designing in the plush factories, workshop floor plan arrangement and machine procurement for the JV Group;
 - (iv) ensure the production by the JV Group complies with and qualifies for all the requirements from designated customer (including its affiliates) (“**Customer**”); and
 - (v) develop a substantial staff training programme for factory workers and staff of the JV Group.
- (d) The Parties further agree that:
- (i) notwithstanding anything to the contrary contained in the JVA, CWIL and/or its affiliate(s) shall retain the title and ownership of the Land and CAPEX under all circumstances;
 - (ii) notwithstanding anything to the contrary contained in the JVA, the JV Group will bear the related costs in product development and sampling which may be incurred by an affiliate of Mayuanda in connection with the Business;
 - (iii) the Parties shall cooperate and align the operations of the JV Group to ensure that the production capacity of the JV Group will meet the Phase 1 Target and the Phase 2 Target and their respective operational and order arrangements; and
 - (iv) a management consultancy agreement shall be separately entered into between Lianmei Toys and a company designated by Mayuanda in relation to the details of the scope of work pursuant to sub-paragraph 5.4(c) above.

5.5 Further funding and guarantees

- (a) Neither of CWIL or Mayuanda shall be obliged to make any loans to or to further subscribe for any share capital of Lianmei Toys (other than pursuant to the subscriptions under paragraph 5.1 above) or to make any loans to or subscribe for any share capital of any other member of the JV Group.
- (b) Neither of CWIL or Mayuanda shall be obliged to give any guarantee, indemnity or other assurance or security interest in respect of the liabilities or obligations of any member of the JV Group.
- (c) Subject to paragraphs 5.5(a) and 5.5(b) above, in the event that any member of the JV Group requires funding to replenish its working capital, CWIL and Mayuanda agree to use their best efforts to reach mutual consensus on a funding proposal and to implement such funding proposal, including the contribution of funds to the JV Group (if necessary), which in any event shall be on pro rata basis in proportion to the shareholding interests in Lianmei Toys held by CWIL and Mayuanda.

5.6 Profit Distribution

The Parties agree that, subject to applicable laws:

- (a) in the event that the JV Group records an operating loss on the consolidated accounts of the JV Group during any of the three (3) years commencing from the date of payment in full of the First Instalment by the Parties, such operating loss of the JV Group shall be borne by CWIL by offsetting against any shareholder loans provided by CWIL or its affiliate and/or profit for any prior or future period distributable to CWIL;
- (b) subject to sufficient retained earnings and funding availability of Lianmei Toys, the net operating profit on the consolidated accounts of the JV Group for each financial year shall be distributed to shareholders of Lianmei Toys in proportion to their respective shareholding interest in Lianmei Toys, provided that the annual amount to be distributed to the shareholders shall be (i) up to HK\$10,000,000 per financial year if the Phase 2 Target has not been achieved by the JV Group; and (ii) up to HK\$20,000,000 per financial year after the Phase 2 Target has been achieved by the JV Group; and
- (c) after the distribution(s) by Lianmei Toys pursuant to paragraph 5.6(b) above, the remaining profit after distribution shall be retained by the JV Group for working capital purposes.

5.7 Call Option and Put Option

(a) Call Option

Mayuanda irrevocably grants to CWIL the exclusive right to buy all the Shares held by Mayuanda (the “**Option Shares**”), exercisable within three (3) years of the date of the JVA at a purchase price equal to the lower of (i) the subscription price of such Shares as set out in the JVA, which is HK\$10,500,000; and (ii) the Equity Amount (as defined herein), if such Equity Amount is more than HK\$10,500,000, or the amount of HK\$10,500,000, if such Equity Amount is HK\$10,500,000 or less (the “**Call Option**”).

(b) Put Option

CWIL irrevocably grants to Mayuanda the right to require CWIL to buy all the Option Shares, exercisable within three (3) years of the date of the JVA, at a purchase price equal to the lower of (i) the subscription price of such Shares as set out in the JVA, which is HK\$10,500,000; and (ii) the Equity Amount, if such Equity Amount is more than HK\$10,500,000, or the amount of HK\$10,500,000, if such Equity Amount is HK\$10,500,000 or less (the “**Put Option**”).

- (c) For the purposes of this paragraph 5.7, the “**Equity Amount**” shall mean the equity of the audited consolidated net book value of the JV Group (comprising the issued share capital, the retained profits and reserves of the JV Group) as adjusted by adding back of any amortization or depreciation expenses, interest expenses and taxation provision and multiplied by the proportion of Shares held by Mayuanda as a percentage of the total Shares in Lianmei Toys.

5.8 Right of First Refusal

- (a) After the expiry of three (3) years from the date of the JVA, any transfer of Shares by a shareholder of Lianmei Toys or the beneficial interest therein by such shareholder or its affiliates shall be subject to the right of first refusal as contained in the JVA.
- (b) In the event that the right of first refusal under the JVA has been exercised, and if all or any of the Shares intended to be transferred to which the right of first refusal applies (the “**Sale Shares**”) have not been taken up by the other shareholder of Lianmei Toys pursuant to the JVA and the shareholder who wishes to directly or indirectly sell or transfer Shares is at liberty to sell such Sale Shares to a third party transferee, the Parties agree that such sale of Sale Shares to a third party transferee (the “**Sale to Third Party**”) shall be subject to the obtaining of prior written approval from Customer before the date of execution of any agreement with the third party transferee in relation

to the Sale to Third Party, unless such third party transferee is then an existing vendor approved by Customer.

6. DISCLOSURES UNDER RULE 706A OF THE LISTING MANUAL

The aggregate value of the consideration paid by the Group for the subscription for 24,500,000 Shares (the “**CWIL Shares**”) is HK\$24,500,000. In determining the subscription price, the Parties took into consideration the working capital requirements for the Phase 1 Target and Phase 2 Target plush toy production capacity. The aggregate subscription price was paid in cash in accordance with the milestones described in paragraph 5.1(b) above. The net asset value represented by the CWIL Shares is HK\$24,500,000.

7. CHAPTER 10 OF THE LISTING MANUAL

The relative figures of the joint venture (i.e., the subscription for the CWIL Shares and the acquisition of the Option Shares) computed on the bases as set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**Listing Manual**”) and based on the Group’s announced consolidated accounts for the financial year ended 31 December 2022 do not exceed 5%. Accordingly, the joint venture is a non-discloseable transaction pursuant to Chapter 10 of the Listing Manual.

The book value and the net tangible asset value of the CWIL Shares and the Option Shares as at 31 December 2022 and 31 December 2023 are HK\$0 and HK\$28,651,153. No valuation was commissioned in respect of the CWIL Shares and the Option Shares. The open market value of the CWIL Shares and the Option Shares is not available as the Sale Shares are not publicly traded.

8. FINANCIAL EFFECTS OF THE JOINT VENTURE

The incorporation and the Company’s investment in Lianmei Toys are not expected to have any material impact on the net tangible assets per share and earnings per share of the Group for the financial year ended 31 December 2023.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect (other than through their shareholding interests in the Company), in the incorporation of and investment in Lianmei Toys.

By Order of the Board

Chiu Hau Shun Simon
Chief Executive Officer

1 March 2024