

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

ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (THE “ANNUAL REPORT 2011”)

- **QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE “SGX-ST”)**
 - **CLARIFICATION ON DISCLOSURE**
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The board of directors (the “**Board**”) of Combine Will International Holdings Limited (the “**Company**”) refers to the Annual Report 2011 issued to shareholders on 12 April 2012. Unless otherwise defined, all capitalized terms used in this announcement shall bear the same meanings ascribed to them in the Annual Report 2011.

In relation to the Annual Report 2011, the SGX-ST has raised certain queries and the Company’s responses to the said queries are set out against each of them:

1. (a) *We note from page 58 to page 60 of the Annual Report 2011 that the Group has appointed different auditors for its subsidiaries.*
 - (i) *With respect to the appointment of He Cheng Certified Public Accountants and Da Chuan Certified Public Accountants, please disclose information relating to the resources of the auditors in relation to the audit of the subsidiaries in question, the experience of the auditing firms, the audit engagement partner assigned to the audits, the firms’ audit engagements, the size and complexity of the subsidiaries being audited, and the number and experience of supervisory and professional staff assigned to the particular audits.*

According to Article 165 of the Company Law of the People’s Republic of China (2005 Revision) (中华人民共和国公司法 (2005修订) 第165条) and Article 31 of Accounting Law of the People’s Republic of China (1999 Revision) (中华人民共和国会计法 (1999修订) 第31条), the financial statements of companies incorporated in the People’s Republic of China (the “**PRC**”) must be audited by auditing firms that are registered in the PRC and whose accountants are members of the China Institute of Certified Public Accountants.

Consequently, the Group engaged He Cheng Certified Public Accountants (“**He Cheng**”) and Da Chuan Certified Public Accountants (“**Da Chuan**”) as the statutory auditors of its PRC-incorporated subsidiaries (the “**PRC Subsidiaries**”). However, for the purposes of the Group’s consolidated financial statements, RSM Nelson Wheeler, the Company’s auditors, (“**RSM**”) had audited the financial statements of all the PRC Subsidiaries in accordance with International Standards on Auditing.

	He Cheng Certified Public Accountants (深圳和诚会计师事务所)	Da Chuan Certified Public Accountants (广东大川会计师事务所)
PRC Subsidiaries audited	1. Combine Will (Dongguan) Ind. Co., Ltd.) 2. Dongguan Loong Run	1. Heyuan Loong Run Toys Company Limited

	<p>Toys Company Limited</p> <p>3. Bliss Electronic (China) Company Limited</p> <p>4. Altrust Precision Tooling (Dongguan) Co., Ltd.</p> <p>5. Unifaith Trading (Shenzhen) Company Limited</p>	
Resources in relation to the audit of the PRC Subsidiaries	The auditing firm has a staff strength of 38 people, of which 6 are Certified Public Accountants in the PRC.	The auditing firm has a staff strength of 20 people, of which 7 are Certified Public Accountants in the PRC.
Experience	The auditing firm was set up in 1995 and has mainly acted as the statutory auditor of PRC-incorporated companies as well as a provider of other professional services.	The auditing firm was set up in 2009 and has mainly acted as the statutory auditor of PRC-incorporated companies as well as a provider of other professional services.
Audit engagement partner	Li Ji Wei (李纪伟) and Zhao Zhi Meng (赵志萌)	Chen Li Qun (陈利群) and Xiao Hong Bin (肖洪斌)
Audit engagements	The auditing firm has 300 audit clients.	The auditing firm has 200 audit clients.
Number and experience of supervisory and professional staff assigned	The auditing firm has assigned 4 professional staff to audit each PRC Subsidiary, of whom one is a Certified Public Accountant in the PRC.	The auditing firm has assigned 4 professional staff to audit each PRC Subsidiary, of whom one is a Certified Public Accountant in the PRC.

Size and complexity of the PRC Subsidiaries audited

	Issued and paid-up/registered capital	Net tangible assets	Effective interests held by the Group	Significant subsidiary
Combine Will (Dongguan) Ind. Co., Ltd.)	HK\$84,893,520	HK\$122,854,467	100%	No
Dongguan Loong Run Toys Company Limited	HK\$14,500,000	HK\$30,723,978	100%	No
Bliss	HK\$25,361,000	HK\$32,835,168	70%	No

Electronic (China) Company Limited				
Altrust Precision Tooling (Dongguan) Co., Ltd.	HK\$89,196,920	HK\$221,564,313	100%	Yes
Unifaith Trading (Shenzhen) Company Limited	HK\$4,000,000	HK\$17,868,446	60%	No
Heyuan Loong Run Toys Company Limited	HK\$55,000,000	HK\$78,149,891	100%	No

According to Rule 718 of the Listing Manual of the SGX-ST (the “**Listing Manual**”), a subsidiary is considered significant if its net tangible assets represent 20% or more of the issuer’s consolidated net tangible assets, or its pre-tax profits account for 20% or more of the issuer’s consolidated pre-tax profits.

Based on the published audited consolidated financial statements of the Group for the financial year ended 31 December 2011, 20% of the Group’s consolidated net tangible assets and pre-tax profits were HK\$123,538,000 and HK\$13,788,800, respectively. As such, where the net tangible asset values for the PRC Subsidiaries listed in the table above are below the abovementioned thresholds, they are not considered to be significant subsidiaries of the Group.

- (ii) *Please disclose the basis of the Audit Committee’s views that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Company, in particular, the factors considered.*

The PRC Subsidiaries had been audited by PRC-registered auditing firms in order to meet the PRC audit requirements. RSM has not relied on the audits carried out by the PRC auditors or reviewed the audit working papers prepared by the PRC auditors. The Audit Committee has relied on the audit of the consolidated financial statements carried out by RSM, which was carried out in accordance with International Standards on Auditing and has covered all subsidiaries of the Group, including those PRC Subsidiaries which had also been audited by the PRC-registered auditing firms.

RSM has reported its findings to the Audit Committee and based on those findings, the Audit Committee has satisfied itself that with the current arrangements, as RSM had audited the financial statements of the subsidiaries of the Group for the purposes of the Group’s consolidated financial statements, the standards and effectiveness of the audit are not compromised in any way.

- (iii) *Rule 715(2) states that an issuer must engage a suitable auditing firm for its significant foreign-incorporated subsidiaries and associated companies. We note that some of the significant subsidiaries were not audited. Please explain why the Group has not complied with Rule 715(2) and how the Audit Committee is satisfied without the audit of the significant subsidiaries.*

The Group has complied with Rule 715(2) for the following reasons:

- (1) There are no statutory requirements for some significant foreign-incorporated subsidiaries of the Group to have statutory audits. Therefore, the Group has not engaged any auditing firm to act as the statutory auditors.
- (2) For the purposes of the Group's consolidated financial statements, however, RSM has audited the financial statements of these significant foreign-incorporated subsidiaries of the Group in accordance with International Standards on Auditing.

Therefore, for the reasons as elaborated upon above, the Board and the Audit Committee are satisfied with the arrangements and have taken the view that the audit of the Group's consolidated financial statements has sufficiently covered all the significant subsidiaries.

- (b) *For the purpose of complying with Listing Rule 1207(10), please note that:-*

- (i) *"Absence of evidence to the contrary" disclaimer is NOT allowed in the opinion;*
- (ii) *The Board and the Audit Committee must opine whether the internal controls are adequate to address all 3 areas of risks (i.e., financial, operational and compliance risks). "In its current business environment," "business operations" without mention of all the 3 risk areas are not acceptable; and*
- (iii) *Both the Board and the Audit Committee must provide the opinion; "The Board and the AC believes" is not acceptable.*

We note that the confirmation provided in your annual report is not consistent with some of the guidelines stated above. Hence, please provide a clean opinion that is in compliance with the Listing Rule 1207(10).

The Audit Committee ensures that a review of the effectiveness of the Group's system of internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually. Thus, the Board, with the concurrence of the Audit Committee, is of the opinion that the existing system of financial, operational and compliance controls is adequate. The Board is satisfied that, with the assistance of the Audit Committee, as well as the external and internal auditors, current internal controls and risk management processes are satisfactory and sufficient for the nature and scope of the Company's operations.

Please refer to the section on "Internal Controls and Internal Audit" on page 30 of the Annual Report 2011 for further details on the Group's system of internal controls.

2. With reference to page 77 of the Annual Report 2011, the Board wishes to clarify that the statistics on substantial and public shareholdings should be as follows:

Substantial Shareholders

Name of Shareholder	DIRECT INTEREST		DEEMED INTEREST	
	Number of Shares	%	Number of Shares	%
DJKS Holdings Limited ⁽¹⁾	24,100,000	73.48	-	-
Tam Jo Tak, Dominic ⁽²⁾	-	-	24,100,000	73.48
Yau Hing Wah, John ⁽²⁾	-	-	24,100,000	73.48

Notes:

1. DJKS Holdings is holding the shares through its nominee, HL Bank Nominees (S) Pte. Ltd.

2. Tam Jo Tak, Dominic and Yau Hing Wah, John hold 57.14% and 28.57% respectively of the equity interest in DJKS Holdings Limited and thus they are deemed to be interested in DJKS Holdings Limited's shareholding in the Company.

Percentage of Shareholdings in Hands of Public

Based on the above information available to the Company as at 16 March 2012, 26.52% (representing 8,700,000 shares) of the issued shares of the Company is held by the public and therefore Rule 723 of the SGX Listing Manual is complied with.

Save as disclosed in this announcement, the Annual Report 2011 remains unchanged.

By Order of the Board

Chiu Hau Shun, Simon
Executive Director
20 April 2012