STANDARD & POOR'S

Combine Will Intl Hldgs

Bloomberg: **COMW SP** | Reuters: **CWIH.SI** | Price: **SGD0.17** | Date: **April 14, 2010**

GICS: Industrials/Industrial Machinery

Business Summary: Operating in Guangdong Province, Combine Will has three business divisions – ODM/OEM, Molds & Tooling and Machine Sales. It is an ODM/OEM manufacturer of plastic and die-cast products. It also makes plastic injection and die-casting molds in addition to selling machines and precision tools for mold making and metal parts processing.

Country of Incorporation: Cayman Islands

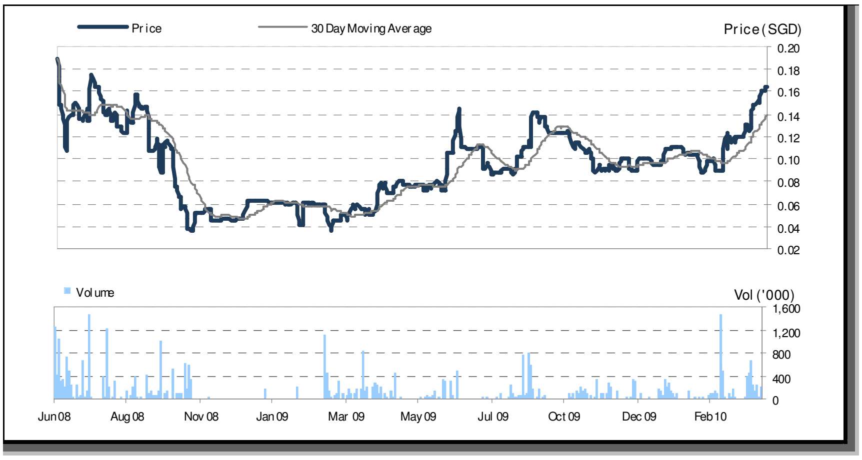
Head Office Location: Xin Cheng District, Heng Li Zhen, Dongguan, Guangdong Province, The People's Republic of China

Place of Operations: China

Website: www.combinewill.com

IR Contact: Ho See Kim | seekim@august.com.sg | +65-67338873

Analyst: Vincent Ng / Alexander Chia



Investment Highlights

- Combine Will is a Guangdong-based manufacturer of plastic and die-cast products that is able to provide a one-stop integrated solution from idea conception, design mold development and production to large scale commercial production.
- Combine Will enjoys long-standing business relationships with global brands with a high level of business from repeat customers. The development of sticky business relationships creates high barriers to entry.
- We expect Combine Will's earnings in 2010 to rebound strongly, leveraging on the recovery in global economies in addition to management's efforts to develop new ODM/OEM customers and products. China's booming auto industry is also expected to sustain sales at its mold and tooling division.
- Combine Will's balance sheet is relatively unstressed, with end-2009 net gearing at 32.3%. The expected recovery in business prospects in 2010 should continue to help lower net debt going forward, given undemanding capex requirements.

Key Investment Risks

- **Forex.** A sharp appreciation of the CNY could impact margins. Revenues are mainly in USD and HKD while costs include a large CNY component.
- **High customer concentration.** With more than 50% of revenues derived from a few major customers, each contributing more than 5% of sales, a significant order shortfall or loss of contract could adversely affect Combine Will's business.
- **Labor shortage.** A worsening of the labor shortage in Southern China could raise production costs and/or put production schedules at risk.

Key Stock Statistics

52-week Share Price Range (SGD)		**0.06 - 0.17**
Avg Vol - 12 months ('000 shares)		**161.9**
Price Performance (%)	- 1 month	**43.5**
	- 3 month	**50.0**
	- 12 month	**200.0**
No. of Outstanding Shares (mln)		**328.0**
Free Float (%)		**26.5**
Market Cap (SGD mln)		**54.1**
Enterprise Value (SGD mln)		**81.6**
Major Shareholders (%)		
DJKS Holdings Ltd		**73.5**

Per Share Data

FY Dec.	**2008**	**2009**	**2010E**	**2011E**
Book Value (HK cents)	128.80	139.78	154.80	173.96
Cash Flow (HK cents)	41.4	28.5	34.1	37.6
Reported Earnings (HK cents)	25.5	13.8	20.4	24.6
Dividend (HK cents)	5.1	5.4	5.4	5.4
Payout Ratio (%)	21.8	39.4	26.4	22.0
PER (x)	3.6	6.7	4.5	3.7
P/Cash Flow (x)	2.2	3.2	2.7	2.4
P/Book Value (x)	0.7	0.7	0.6	0.5
Dividend Yield (%)	5.6	5.9	5.9	5.9
ROE (%)	22.0	10.3	13.9	14.9
Net Gearing (%)	13.4	33.4	32.3	23.5

All required disclosures and analyst certification appear on the last two pages of this report. Additional information is available upon request.

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Background

Combine Will was established in 1992 as an ODM/OEM manufacturer of plastic and die-cast products that include premiums, collectibles, toys and other consumer products. The group then vertically expanded its business operations to include the manufacture of molds and tooling as well as the sale of machines used for mold making and processing of metal parts. Combine Will operates six production plants located in Guangdong Province in the People's Republic of China with a total workforce in excess of 10,000.

Combine Will was listed on the SGX Mainboard via IPO in June 2008. The Group was co-founded by Tam Jo Tak, Dominic and Yau Hing Wah, John who are Executive Chairman/CEO and Executive Director respectively. The controlling shareholder is DJKS Holdings Ltd, which is in turn owned by Tam Jo Tak, Dominic (57.14%), Yau Hing Wah, John (28.57%) and another Executive Director Chiu Hau Shun, Simon (14.29%). Management has extensive experience in toy manufacturing and production engineering.

Board of Directors

Name	Title	Date of Appointment
Tam Jo Tak, Dominic	Executive Chairman/CEO	Dec 2007
Yau Hing Wah, John	Executive Director	Dec 2007
Zheng Naiqiao, Koulman	Executive Director	Dec 2007
Chiu Hau Shun, Simon	Executive Director	Oct 2007
Cheung Hok Fung, Alexander	Lead Independent Director	Mar 2008
Ning Li	Independent Director	May 2009
Chia Seng Hee, Jack	Independent Director	Mar 2008

Source: Company data

Board Independence

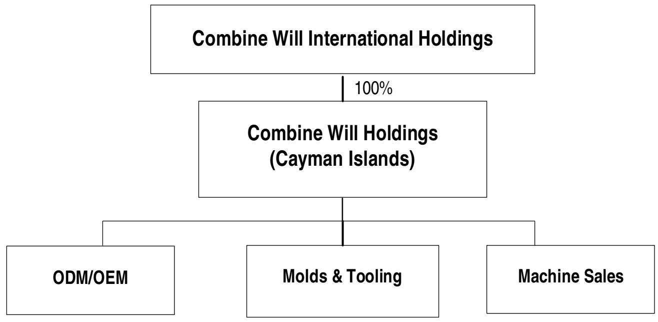
Combine Will has three independent non-executive directors on its seven-strong Board. However we note that there is no separation between the duties of Chairman and CEO. Each of the three Board Committees, namely the Audit Committee, Remuneration Committee and Nominating Committee, are comprised entirely of the three independent directors.

Key Management

Name	Title	Date of Appointment
Tam Jo Tak, Dominic	Executive Chairman/CEO	1992
Yau Hing Wah, John	Executive Director	1992
Zheng Naiqiao, Koulman	Executive Director	2000
Chiu Hau Shun, Simon	Executive Director	2000
Hung Kam Tim, Samuel	General Manager, Machine Sales	2000
Tsui Chung Kit, Allan	General Manager, Molds and Tooling	1994
Qiu Guo Lian, David	General Manager, ODM/OEM Operations	1992
Li Hin Lun, Alan	General Manager, ODM/OEM Sales & Marketing	1994
Tsang Hung Leong, Alan	Chief Financial Officer	2006

Source: Company data

Corporate Structure



Source: Company data

Key Subsidiaries & Associates

- 100%-owned Combine Will (Dongguan) Ind Co Ltd – Manufacture of plastic toys, die-cast and premium items.
- 100%-owned Loong Run Industrial Co Ltd – Investment holding and trading of plastic toys, die-cast and premium items.
- 100%-owned Legacy Giftware Ltd - Investment holding and trading of plastic toys, die-cast and premium items.
- 70%-owned Bliss Electronic (China) Co Ltd – Manufacturing of electronic parts.
- 100%-owned Altrust Precision Tooling (Dongguan) Co Ltd – Manufacturing of molds.
- 60%-owned Advanced Precision Tooling USA LLC – Trading of molds.
- 70%-owned Altrust Japan Corp – Trading of molds
- 60%-owned Headonway Ind Co Ltd – Manufacturing of models and molds.
- 60%-owned Unifaith Machine Tools Co Ltd – Trading of machinery and tools.
- 60%-owned Hopewell Precision Machine Tools Co Ltd – Trading of machinery.

Business Segments/Key Revenue Streams

Combine Will operates out of Guangdong and has three business divisions.

(i) ODM/OEM Manufacturing

The manufacture of ODM/OEM products is the backbone of Combine Will's business. It is an integrated ODM/OEM manufacturer of plastic and die cast products that include premiums, collectibles and toys and other consumer products. Premiums are typically small gifts given to consumers upon the purchase of a product or service. One example would be the small toys or trinkets given out together with a meal at a fast-food restaurant or after one pays for petrol at a gas station. The toys manufactured include die cast replicas of cars, tractors, trucks and trains with collectibles bearing customer corporate logos. Consumer products produced include razor handles and casings, stationery and snow shoes. Customers include Hasbro, Playmates, Master Replica, The Marketing Store, Sieper GmbH, Walmart (WMT US, USD54.72, 5-STARS), Univenture, American Safety Razor, LL Bean and Heritage Classics. Its design and development team coordinates with the manufacturing team to convert the customer's concept or prototype into a quality end product after advising on production materials and product functionality.

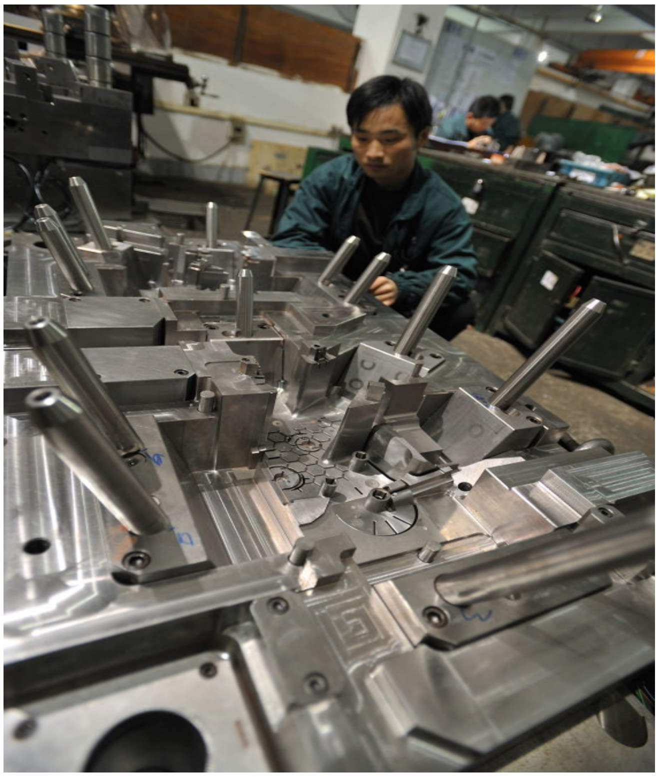
Sample ODM/OEM Products

Source: Company data

(ii) Molds and tooling

Combine Will supplies plastic injection and die cast molds. Besides satisfying internal ODM/OEM group requirements, it also supplies molds used in the manufacture of toys. In addition, it is an approved supplier to auto part manufacturers, who in turn are suppliers to Honda, Volvo and General Motors and Tier-1 automobile component suppliers Valeo, Delphi and Faurecia. Its automobile molds are used to produce parts such as climate control system parts, engine cooling system parts, lighting systems, exterior and interior mirror system, instrument panels and interior decoration parts. It also supplies industrial molds to Toshiba, Honeywell, SEB and Whirlpool for the manufacture of medical, electronic, office equipment and other consumer and household products. Its molds and tools are sold in China and exported to markets in Europe, North America and Japan. It has an in-house mold design and development arm, and a mold and tooling factory located in Hengli, Dongguan.

Molds and Tooling



Source: Company data

(iii) Machine sales

Combine Will distributes and installs machines and precision tools used in the manufacture of molds, die cast products and auto parts. It supplies metal cutting machines, precision measuring instruments and cutting tools that include CNC machining centers, CNC lathes and metrology equipment as well as the associated operating software. This business segment complements the molds and tooling division by supplying the machines to existing as well as new customers. The supply of high value machines are transacted on an indent basis, where the principal will either deliver the equipment direct to the customer or via Combine Will, who will also usually arrange for the installation, demonstration and training. Less expensive products are usually maintained in stock. Combine Will is the distributor for equipment manufacturers from Japan (Mori Seki), the USA (Starrett), Germany (Zeiss), the United Kingdom, Taiwan (Yeong Chin, Accutex), Sweden (Seco tools) and Italy (CDM).

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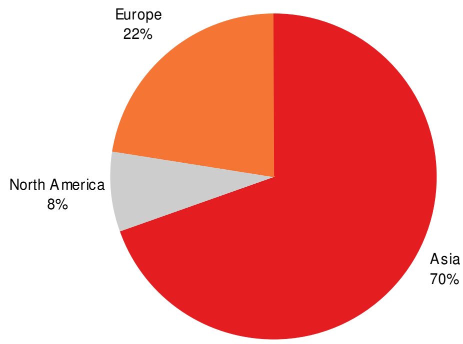
Precision CNC Machinery

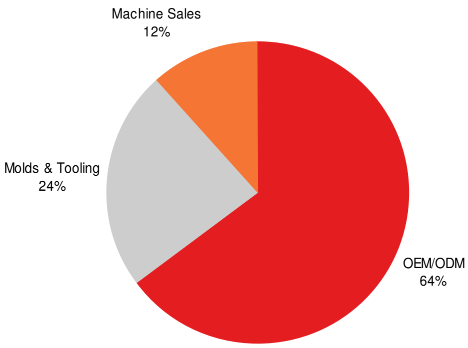
Source: Company data

2009 Revenue Breakdown by Geographical Region



Source: Company data

2009 Revenue Breakdown by Business Division



Source: Company data

Major markets

The bulk (70% in 2009) of sales is to customers in the Asian region, mainly the PRC and Hong Kong. The remainder is derived from sales to Europe and the U.S. A key customer for its ODM/OEM products is The Marketing Store, a multinational marketing solutions agency. Approximately 60% of its molds and tools are exported while machine sales are mainly to customers in the PRC and Hong Kong.

Industry Landscape

ODM/OEM

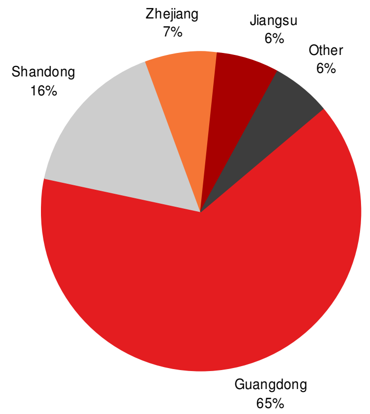
China is now believed to be the world's largest toy manufacturer and exporter, enjoying an estimated 70% share of the world toy market. According to the China Toy Association (CTA) there are more than 8,000 toy manufacturers producing more than 30,000 kinds of toys. The bulk (5,000) of these manufacturers is based in Guangdong with Zhejiang coming in at a distant second with about 1,000 manufacturers.

China Toy Production map

Source: China Toy Association

According to CTA data, Guangdong commanded a 65% share of total toy production in 2009 of a total export value of USD19.8 bln, down from a 67% share in 2008. Reflecting the impact of the global recession in 2009, the export value of the China toy industry declined 22% YoY from USD25.5 bln in 2008.

2009 Major Toy Export Provinces



Source: China Toy Association

2008 Top 10 Toy Export Destinations

Destination	Export Value USD mln	% of Toy Exports
USA	9,467	37%
Hong Kong	4,586	18%
Germany	1,665	7%
Japan	1,615	6%
Netherlands	1,331	5%
Britain	1,284	5%
Canada	548	2%
Australia	410	2%
France	362	1%
Mexico	358	1%

Source: China Toy Association

In recent years, China's toy industry has been beset by quality issues. In a high profile development in 2007, the world's largest toy manufacturer Mattel (MAT US, USD23.46, 4-STARS) issued one of its largest recalls of toys after the discovery of the use of lead paint in certain products. There was also a safety recall of toys containing small magnets. Following Mattel's recalls, other toy companies were reported to be re-examining their operations in China. Following safety issues and complaints by toy-importing countries and Chinese customers, the Chinese government imposed the China Compulsory Certification (CCC) scheme on toymakers in June 2007. Only those toys that meet CCC standards will be allowed to be sold in local and overseas markets. The Ministry of Commerce has warned the toy industry to undertake a restructuring with more compulsory standards, domestic and foreign likely to be imposed.

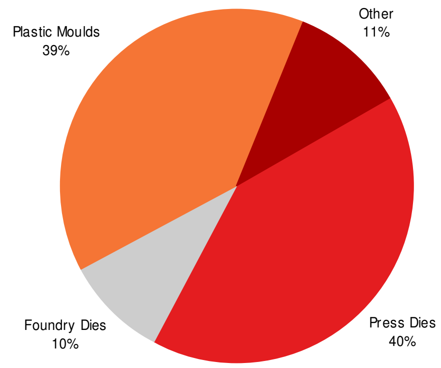
The impact of the new quality standards will be a squeeze on the smaller manufacturers, which could lead to a gradual consolidation in the industry.

Molds and Tooling

The molds and tooling industry has grown in parallel with the broader Chinese economy. According to the China Die & Mould Industry Association (CDMIA), the China die & mold industry has experienced 15% annual growth for over ten years and employs 1 mln workers.

The industry is clustered in the Pearl River Delta and the Yangtze River delta regions, with the die & mold revenues from these two regions making up about two-thirds of the total national output. Nonetheless, the industry is extremely fragmented with approximately 30,000 manufacturers, with only 40 companies having turnover exceeding CNY100 mln. The CDMIA notes that there are significant gaps in the industry with plentiful supply of medium- and low-end molds, while large, precision and complicated dies and molds are still in short supply. In 2006, China imported USD2.05 bln of dies and molds but only exported USD1.04 bln. Approximately 35%-40% of segment earnings are derived from molds sold to autoparts suppliers.

Types of Molds Produced in China

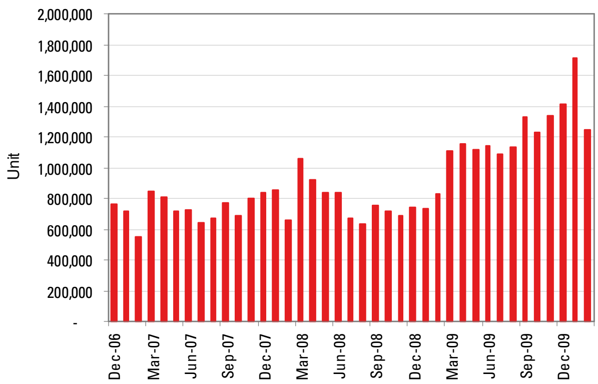


Source: CDMIA

China Auto Industry

The Chinese auto industry has experienced remarkable growth over the past decade, driven by a booming economy, growing disposable income and rapid development of road infrastructure. Vehicle sales proliferated at a CAGR of 23.2% from 2000 to 2009. Hitting a record of 13.6 mln vehicles sold in 2009, China has overtaken the U.S. as the largest automotive market in the world.

Monthly Volume of Vehicles Sold in China (Dec 2006-Feb 2010)

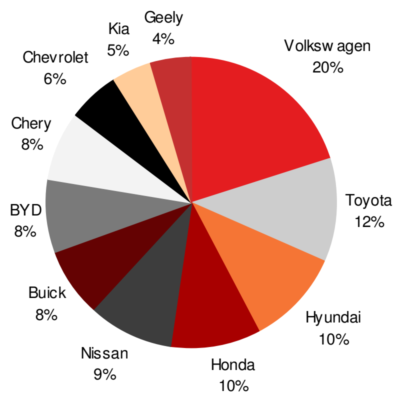


Source: China Association of Automobile Manufacturers

Although the top-selling brands of China's auto sector are still dominated by foreign brands such as Volkswagen, Hyundai, Toyota, Honda and Nissan, domestic auto makers i.e. Chery, Geely and BYD are becoming more prominent. Domestic brands accounted for 54% of light vehicles sold in 2009, up from 50% in the previous year. Led by BYD, Chinese brands grew by 59% YoY in the light vehicle segment – ahead of the industry's average production growth.

Nevertheless, industry consolidation was already taking place in China's automotive sector in 2009 - e.g. Changan's asset acquisition of China Aviation Industry Group; Beijing Automotive Industry Corporation's acquisition of Saab's assets from General Motors; Geely's acquisition of the Volvo brand from Ford Motor; and Shanghai Automotive Industry Corporation's increased stake in Shanghai General Motors.

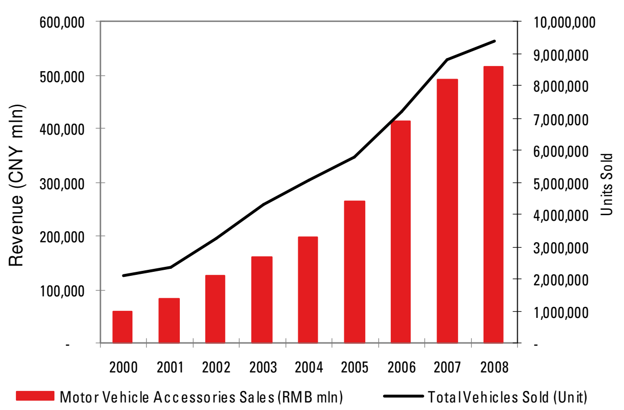
Passenger Vehicle Sales by Automakers in China - 2009



Source: JD Power & Associates

China's brisk vehicle sales and strong export demand have translated into a thriving auto parts market. Foreign auto part suppliers have also been increasing their component production in the country to benefit from China's low labor cost and growing domestic demand. Between 2000 and 2008, sales of motor vehicle accessories have grown at a rapid 31.1% CAGR to CNY515.4 bln. While exports were affected by the global economic slowdown in 2009, demand for auto parts stayed firm, supported by the robust growth in the domestic automotive market.

Sale of Auto Accessories in China - 2000-2008



Source: China Association of Automobile Manufacturers

Further growth expected for vehicle sales in 2010

Based on monthly data released by the China Association of Automobile Manufacturers (CAAM), vehicle sales rose by 46% YoY in February, led by a 55% YoY growth in passenger car sales, while light commercial vehicles (LCV) sales rose by 22% YoY. The industry's strong YoY growth was due to continued robust demand as well as a low base in the previous corresponding year. Not surprisingly, auto sales declined by 27% on a MoM basis, due to the Lunar New Year holidays. Sales in January were also boosted by purchases ahead of the Lunar New Year period. Sales for the first two months of the year were up 84% YoY, showing resilient demand for vehicles, despite the reduction in government incentives on the purchase tax.

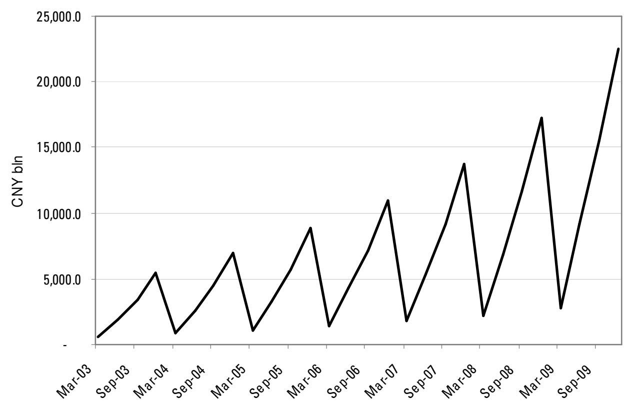
Looking ahead, we expect growth in the Chinese auto sector to stem from: (i) a recovery in the export sector amid an improving economy; (ii) rising per capita income, especially in the second- and third-tier cities; (iii) an extension of the reduction in purchase tax, albeit at a less attractive rate of 7.5% in 2010 (vs. 5% in 2009); (iv) and the government extension and increase in rural subsidies for vehicle purchases. Standard & Poor's economists expect China's GDP to expand by 9.7%-10.2% in 2010.

Nevertheless, YoY growth should moderate in subsequent months, due to a higher base effect, as auto sales started to pick up strongly from about April last year. In addition to this, we see the recent monetary tightening measures as a limiting factor. Based on an estimate by J.D. Power and Associates (which, like Standard & Poor's, is an independent unit of The McGraw-Hill Companies), vehicles sales in China are expected to grow 6%-7% to 13.8 mln units in 2010.

Machine Sales

According to data from Gardner's 2010 World Machine Tool Output and Consumption Survey, China is by far the largest consumer of machine tools and has been so since 2002. This reflects China's position as a global manufacturing powerhouse. Estimates by the U.S. Bureau of Labor Statistics in 2002 already put manufacturing employees in China at 109 mln compared to the G7 total of just 53 mln manufacturing workers, reflecting the relative size of China's manufacturing base.

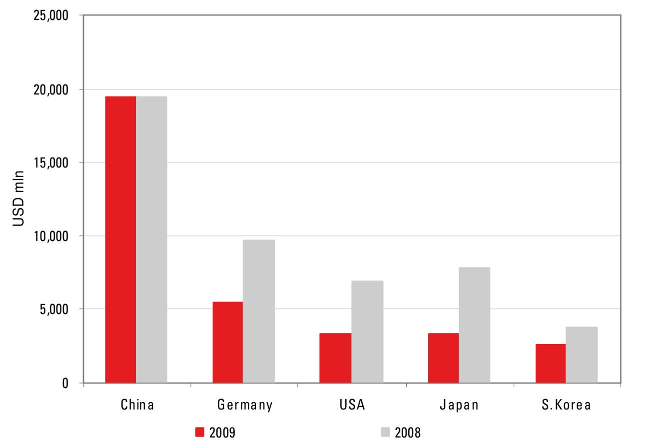
China Total FAI



Source: Bloomberg

China's machine tool consumption (as defined by production minus imports plus imports) in 2009 stayed almost unchanged YoY while other major global consumers of machine tools saw significant YoY declines. This reflects the continued ongoing investment in China's manufacturing capacity

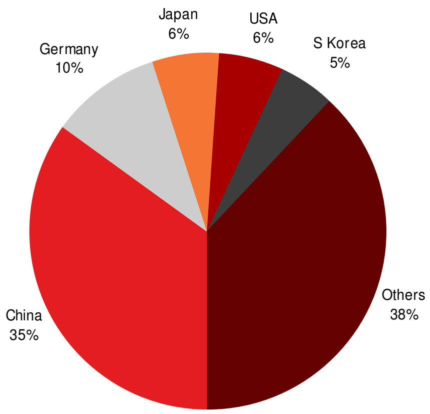
Consumption of Machine Tools



Source: Gardner

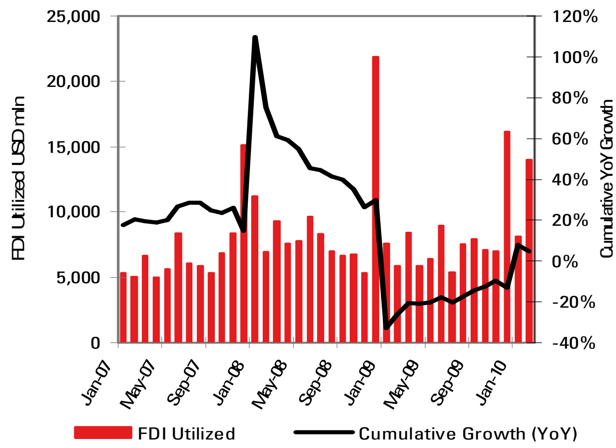
China's machine tool consumption in 2009 was more than 3.5x that of the next largest consuming country Germany. China accounts for more than a third of global machine tool shipments.

Share of Consumption of World Output of Machine Tools - 2009



Source: Gardner

FDI in China Recovering



Source: CEIC, S&P Economics

The strength and size of China's manufacturing sector in addition to the gradual recovery in FDI flows continue to suggest a vibrant market for high technology machine sales going forward.

Growth Strategy

ODM/OEM

We expect Combine Will to ride on the recent rebound in the global economy to expand its business. It will leverage on its ability as an integrated one-stop, turnkey manufacturing solution provider from idea conception to R&D to commercial production. Management expects to achieve this by continuing to build on its core competencies including upgrading the skills of its work force, developing its capabilities in R&D and raising the level of automation at its manufacturing facilities. Given the well-publicized labor shortages in Southern China, management has also taken great pains to ensure that they have sufficient workers, such as raising the basic wage, improving staff benefits, allowances and facilities, implementing an employee referral program and other worker retention efforts.

Given the difficult competitive environment within the China toy industry where growth prospects are limited with severe cost pressures eroding margins, management's business focus for the ODM/OEM division going forward is likely to lean toward premiums, collectibles and consumer products, in our opinion.

Molds and tooling

Combine Will's molds and tooling division will continue to play a supporting role for its ODM/OEM business. External revenues for the division will continue to be generated from sales of molds and tooling to the toy industry (approximately 30%), consumer products (30%) and Tier-1 autoparts suppliers (40%). While management believes that its molds and tooling are already of a high quality compared to their competitors, it intends to continue developing their technical abilities in order to secure more business from customers in the U.S., Japan and Korea.

Management reports that Combine Will is beginning to see resurgence in the demand for molds and tools as more foreign companies resume investment in China. Consequently, it plans to set up a manufacturing facility near Shanghai to tap into markets in the North East region and to better serve its after-sales efforts.

Combine Will also announced in June 2009 that it is proposing to spin off and list its molds and tooling division on the Korea Stock Exchange (KRX). In addition to the division gaining direct access to capital markets in Korea, it also hopes to explore technical cooperation with partners in Korea. While a sales office has since been established in Seoul, there have been no new developments to date on the proposed secondary listing.

Machine Sales

Combine Will intends to continue focusing on serving quality customers in the Machine Sales segment and will continue to maintain a tight credit policy. Its growth strategy in the business segment will focus on acquiring new agency distribution rights and simultaneously developing new customers. To achieve this, it intends to provide a complete suite of services in addition to the sale of the machines to include servicing, training, installation and after sales support.

SWOT Analysis

Strengths

- Ability to provide a one-stop integrated service, from idea conception, design, mold development and manufacturing.
- The vertical integration of its manufacturing process enables Combine Will to better meet customer needs, control manufacturing costs and maintain high quality standards.
- Established customer relationships with global brands. Customers for ODM/OEM products typically have stringent hurdles that need to be met before pre-approval as a supplier. These include a good track record and positive referrals from industry peers. Combine Will enjoys a high level of business from repeat customers.
- Production facilities for ODM/OEM and molds and tooling require high levels of capital investment that form high barriers to entry restricting new entrants into the industry.
- Experienced senior management team which possesses high levels of industry knowledge, experience and technical expertise.

Weaknesses

- Significant dependence on key customers. In 2009, more than 50% of group revenues was contributed by major customers each accounting for more than 5% of sales.
- Foreign currency exposure - while revenues are predominantly earned in USD and HKD, a significant portion of its costs are also denominated in CNY. A spike in the CNY could negatively affect profit margins.

Opportunities

- The ongoing shift of manufacturing operations by multinational corporations to the Asia Pacific and the PRC in particular.
- The growing domestic manufacturing base will continue to drive the demand for molds and tooling.
- The increasing emphasis on safety and quality standards could result in a consolidation in the ODM/OEM industry, driving out the weaker players.
- Sales of molds and tooling for the manufacture of autoparts will benefit from China's booming auto industry.

Threats

- A worsening of the labor shortage could significantly raise production costs and put production schedules at risk.
- Operating margins could be adversely affected by raw material price volatility.
- Moderate barriers to entry at its machine sales business could mean added competition from new distributors of rival brands of machinery not represented by Combine Will.

Recent Key Developments

Feb. 25, 2010: Combine Will announced 2009 results.

June 16, 2009: Proposed to spin off its molds and tooling division on the KRX.

Management Guidance

Management is optimistic on Combine Will's business prospects in 2010 and expects a rapid recovery in all business segments on the back of the ongoing economic recovery. All three business divisions of the group are set for substantial growth in sales.

Earnings Outlook

Combine Will recorded a significant contraction in 2009 revenue (-21.3% YoY) and net profit (-37.7% YoY) as a result of the global recession. All three business division registered lower revenue with the main ODM/OEM segment 11.8% lower YoY, after being hit by a rescheduling of orders by customers due to weak economic conditions during 2009. Revenue from molds and tooling fell 40.4% YoY due to lower demand for automobile molds and reduced investment by customers in new product development; revenue from machine sales declined 17.4% YoY after a tightening of the group's credit policies. Gross margins achieved during 2009 were relatively stable. EBIT margin for 2009 contracted slightly to 6.7% from 7.2% in 2008 as a result of lower mold engineering income. Finance costs declined 20.4% YoY despite lower average net debt, reflecting the lower interest rate environment. A higher effective tax rate following the expiry of certain tax incentives also exacerbated the YoY net profit decline.

Consistent with management's guidance for substantial sales growth in 2010, we estimate group revenue growth at +43% YoY, coming from all three business divisions ODM/OEM (+50% YoY), molds and tooling (+30% YoY) and machine sales (+30% YoY). ODM/OEM sales will be helped by resumed global consumer spending, its capability to provide and integrated one-stop, turnkey manufacturing solution and established customer relationships. We expect the group to benefit from increased orders from existing customers, and perhaps even new customers, who are looking to shift production to lower-cost China and are happy with Combine Will's capabilities. The demand for molds and tooling will be driven by the continued foreign investment in China's manufacturing base and underpinned by the continued robust demand for motor vehicles - in March, 1.26 mln passenger cars were sold, up 55.3% YoY according to CAAM data. The stronger FDI flows should also help bolster machine sales.

Despite the healthy jump in forecast revenue, we remain conservative on our expectations for improved operating leverage and estimate only a small improvement in EBIT margin to 7.1% from 6.7% in 2009, owing to the challenges from the tight labor market and competitive market place. Finance costs are estimated to rise sharply in 2010, reflecting higher working capital requirements. We estimate a 2010 net profit of HKD67 mln that is a 48.2% improvement YoY. 2011 net profit is estimated to grow 20.2% to HKD80.6 mln.

Combine Will is relatively well-funded with an unstressed balance sheet. Net gearing at end-2009 stood at just 33.4%, although this is up sharply from 13.4% end-2008. Given the expected sharp jump in business activity, management will need to carefully manage receivables and inventory levels. Receivables and inventory turnover rose to an estimated 66.5 days and 93.5 days in 2009, from 43.3 days and 72.7 days respectively. We also note that Combine Will's balance sheet is heavily reliant on short-term funding comprised largely of trade financing.

Peer Comparison

There are few other listed companies operating in the same business segments. Unlisted peers in the toy segment include Early Light Industrial Co Ltd, Jetta Co Ltd, The Merton Co Ltd, while those in the molds and tooling segment include Ace Mold Co Ltd, CIM Precision Molds (HK) Ltd, Ngai Cheong Mould Co Ltd, TK Moulds Co Ltd. In the machine sales segment the company lists the following as competitors: Deckel Maho Gildemeister (GIL GR, EUR10.07, Not Ranked), Kao Fong Machinery Co. Ltd (4510 TT, TWD18.35, Not Ranked), Makino Milling Machine Co. Ltd (6135 JP, JPY688, Not Ranked) and Okuma Corporation (6103 JP, JPY714, Not Ranked).

Peer Comparison – Toys

	Combine Will	Lung Cheong	South China
Bloomberg	COMW SP	348 HK	413 HK
Share Price @ April 9	SGD 0.18	HKD 0.47	HKD 0.63
Mkt. Cap (mln)	SGD 57.4	HKD 1,375.4	HKD 1,872.1
PER Historical (x)	7.1	NA	4.6
PER Year 1 (x)	4.8	NA	NA
PER Year 2 (x)	4.0	NA	NA
P/NTA Historical (x)	0.70	4.23	1.05
Latest FY			
Revenue, as reported (mln)	HKD 1,058.2	HKD 61.2	HKD 1,893.1
PBT, as reported (mln)	HKD 61.1	HKD 7.2	HKD 390.5
Net Profit, as reported (mln)	HKD 45.2	HKD 4.5	HKD 383.3
Pre-Tax Profit Margin (%)	5.8%	11.7%	20.6%
Net Profit Margin (%)	4.3%	7.3%	20.2%

Source: Bloomberg, Company Data

Peer Comparison – Molds

	Combine Will	Sunning dale	Meiban	Fischer Tech
Bloomberg	COMW SP	SUNN SP	MEI SP	FISC SP
Share Price @ April 9	SGD 0.18	SGD 0.22	SGD 0.34	SGD 0.15
Mkt. Cap (mln)	SGD 57.4	SGD 159.3	SGD 112.9	SGD 39.6
PER Historical (x)	7.1	21.5	6.8	NA
PER Year 1 (x)	4.8	NA	8.7	NA
PER Year 2 (x)	4.0	NA	7.2	NA
P/NTA Historical (x)	0.70	0.74	0.79	0.56
Latest FY				
Revenue, as reported (mln)	HKD 1,058.2	SGD 373.7	SGD 410.7	SGD 167.4
PBT, as reported (mln)	HKD 61.1	SGD 16.1	SGD 21.4	SGD 8.2
Net Profit, as reported (mln)	HKD 45.2	SGD 10.6	SGD 15.2	SGD 4.0
Pre-Tax Profit Margin (%)	5.8%	4.3%	5.2%	4.9%
Net Profit Margin (%)	4.3%	2.8%	3.7%	2.4%

Source: Bloomberg, Company Data

Profit & Loss

FY Dec. / HKD mln	2008	2009	2010E	2011E
Reported Revenue	1,344.7	1,058.2	1,512.8	1,726.6
Reported Operating Profit	97.3	71.4	106.9	126.4
Depreciation & Amortization	-45.7	-48.4	-45.0	-42.8
Net Interest Income / (Expense)	-12.5	-10.2	-13.7	-13.7
Reported Pre-tax Profit	84.3	61.1	92.7	111.9
Effective Tax Rate (%)	12.8	25.0	26.0	26.0
Reported Net Profit	72.9	45.2	67.0	80.6
Reported Operating Margin (%)	7.2	6.7	7.1	7.3
Reported Pre-tax Margin (%)	6.3	5.8	6.1	6.5
Reported Net Margin (%)	5.4	4.3	4.4	4.7

Source: Company data, S&P Equity Research

Balance Sheet

FY Dec. / HKD mln	2008	2009
Total Assets	826.3	1,047.0
Fixed Assets	236.6	241.6
Current Assets	587.3	803.0
Other LT Assets	2.4	2.4
Current Liabilities	391.2	542.3
LT Liabilities	3.2	35.9
Share Capital	246.0	246.0
Shareholders' Funds	422.5	458.5

Source: Company data, S&P Equity Research

Cash Flow

FY Dec. / HKD mln	2008	2009	2010E	2011E
Operating Cash Flow	94.2	-34.1	26.8	72.8
Investing Cash Flow	-64.9	-51.5	-20.0	-25.0
Financing Cash Flow	2.7	158.9	-37.8	-37.7
Net Cash Flow	32.1	73.3	-31.0	10.1
Ending Cash	105.8	179.1	148.0	158.1
Capex	-65.3	-50.2	-20.0	-25.0

Source: Company data, S&P Equity Research

Material Disclosures Including Interested Party Transactions

Nil.

New Issues & Placements

June 2008: 88 mln new ordinary shares of HKD0.75 each issued pursuant to the Initial Public Offering.

Dividend Policy

Combine Will does not have a formal dividend policy but paid out dividends amounting to 20% and 39% of net profit in 2008 and 2009 respectively.

Auditors' History

From 2007: RSM Nelson Wheeler, Hong Kong

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