

Combine Will International Holdings Limited

(Incorporated in Cayman Islands)

(Co. Reg. No: MC-196613)

FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2017**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

1(a) A statement of Profit or Loss (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

1(a)(i) Statement of profit or loss for the quarter ended 31 March 2017

	The Group			
	3 months ended 31 March			
	2017	2016	Change	%
	HK\$'000	HK\$'000	HK\$'000	
Revenue	311,239	376,216	(64,977)	(17.27)
Cost of sales	(289,680)	(344,279)	(54,599)	(15.86)
Gross Profit	21,559	31,937	(10,378)	(32.50)
Other income	5,568	5,983	(415)	(6.94)
Selling and distribution expenses	(4,544)	(4,218)	326	7.73
Administrative expenses	(19,256)	(24,192)	(4,936)	(20.40)
Profit From Operations	3,327	9,510	(6,183)	(65.02)
Finance costs	(2,757)	(5,791)	(3,034)	(52.39)
Profit Before Tax	570	3,719	(3,149)	(84.67)
Income tax expense	(296)	(556)	(260)	(46.76)
Profit for the period	274	3,163	(2,889)	(91.34)
Attributable to:				
Owners of the Company	238	2,899	(2,661)	(91.79)
Non-controlling interests	36	264	(228)	(86.36)
	274	3,163	(2,889)	(91.34)

1(a)(ii) Statement of Profit or Loss and other Comprehensive Income for the quarter ended 31 March 2017

	The Group			
	3 months ended 31 March			
	2017	2016	Change	%
	HK\$'000	HK\$'000	HK\$'000	
Profit for the period	274	3,163	(2,889)	(91.34)
Other comprehensive income				
Exchange difference on translating foreign operations	2,056	(9,073)	11,129	122.66
Other comprehensive income for the period, net of tax	2,056	(9,073)	11,129	122.66
Total comprehensive income for the period	2,330	(5,910)	8,240	139.42
Attributable to:				
Owners of the Company	2,294	(6,174)	8,468	137.16
Non-controlling interests	36	264	(228)	(86.36)
	2,330	(5,910)	8,240	139.42

Note:

The Group's profit before tax is arrived at after charging / (crediting):

	3 months ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
Depreciation	11,204	10,786
Interest income	(13)	(1,507)
Interest on bank loans and overdrafts	2,757	5,791
Exchange difference, net	1,341	2,862

1(b)(i) A statement of financial position (for the issuer and the group), together with a comparative statement as at the end of the immediately preceding financial year.

	The Group		The Company	
	At 31.03.2017	At 31.12.2016	At 31.03.2017	At 31.12.2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Property, plant and equipment	213,588	219,293	-	-
Investments In Subsidiaries	-	-	461,263	461,263
Goodwill	1,927	1,927	-	-
	215,515	221,220	461,263	461,263
Current assets				
Inventories	448,811	495,853	-	-
Trade and bills receivables	254,145	278,927	-	-
Prepayments, deposits and other receivables	111,258	115,776	-	-
Current tax assets	4,720	6,025	-	-
Bank and cash balances	64,966	43,389	1,125	1,125
	883,900	939,970	1,125	1,125
Total assets	1,099,415	1,161,190	462,388	462,388
Current liabilities				
Trade and bills payables	68,455	129,674	-	-
Accruals and other payables	106,349	109,661	-	-
Amount due to a subsidiary	-	-	11,319	11,319
Short-term borrowings	347,221	347,616	-	-
Current tax liabilities	11,202	10,381	-	-
	533,227	597,332	11,319	11,319
Non-current liabilities				
Deferred tax liabilities	2,650	2,650	-	-
	2,650	2,650	-	-
Total liabilities	535,877	599,982	11,319	11,319
Equity attributable to owners of the Company				
Share capital	242,456	242,456	242,456	242,456
Reserves	311,614	309,320	208,613	208,613
	554,070	551,776	451,069	451,069
Non-controlling interests	9,468	9,432	-	-
Total equity	563,538	561,208	451,069	451,069
Total liabilities and equity	1,099,415	1,161,190	462,388	462,388

1(b)(ii) Aggregate amount of group's borrowings and debt securities.**Amount repayable in one year or less, or on demand**

As at 31 March 2017	As at 31 December 2016
Secured	Secured
HK\$'000	HK\$'000
347,221	347,616

Amount repayable after one year

As at 31 March 2017	As at 31 December 2016
Secured	Secured
HK\$'000	HK\$'000
-	-

Details of collaterals

The Group's banking facilities are secured by cross corporate guarantees executed by group companies.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	The Group	
	3 months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
Cash flows from operating activities		
Profit before tax	570	3,719
Adjustments for :		
Depreciation	11,204	10,786
Interest income	(13)	(1,507)
Finance costs	2,757	5,791
Operating profit before working capital changes	14,518	18,789
Decrease in inventories	46,684	446
Decrease in trade and bills receivables	24,782	28,989
Decrease in prepayments, deposits and other receivables	4,518	7,785
(Decrease) / Increase in trade and bills payables	(61,219)	14,847
Decrease in accruals and other payables	(3,312)	(9,213)
Cash generated from operations	25,971	61,643
Income tax refunded	1,819	(3,211)
Interest paid	(2,757)	(5,791)
Net cash generated from operating activities	25,033	52,641
Cash flows from investing activities		
Decrease in pledged bank deposits	-	232,084
Purchase of property, plant and equipment	(5,141)	(10,531)
Proceeds from disposals of PPE	-	9
Interest received	13	1,507
Net cash (used in) / generated from investing activities	(5,128)	223,069
Cash flows from financing activities		
Repayment of new term loans	-	(250,000)
Repayment of long-term borrowings	-	(5,074)
Net advancement / (repayment) of trust receipt and import loans	(395)	(34,139)
Net cash used in financing activities	(395)	(289,213)
Net increase / (decrease) in cash and cash equivalents	19,510	(13,503)
Cash and cash equivalents at beginning of the period	43,389	54,943
Net effect of exchange rate changes in consolidating subsidiaries	2,067	(9,192)
Cash and cash equivalents at end of the period	64,966	32,248

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

The Group	Attributable to the owners of the Company							Minority interests	Total
	Share capital	Share premium	Statutory reserve	Capital redemption reserve	Translation reserve	Retained earnings	Subtotal		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2017	242,456	26,488	2,033	1,665	(19,097)	298,231	551,776	9,432	561,208
Total comprehensive income for the period	-	-	-	-	2,056	238	2,294	36	2,330
At 31 March 2017	242,456	26,488	2,033	1,665	(17,041)	298,469	554,070	9,468	563,538
At 1 January 2016	242,456	26,488	2,033	-	31,470	342,018	648,009	11,813	659,822
Total comprehensive income for the period	-	-	-	-	(9,073)	2,899	(6,174)	264	(5,910)
At 31 March 2016	242,456	26,488	2,033	-	22,396	344,918	641,835	12,077	653,912

The Company	Share capital	Share premium	Contributed surplus	Capital redemption reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2017	242,456	26,488	130,205	1,665	48,376	451,069
Total comprehensive income for the period	-	-	-	-	-	-
At 31 March 2017	242,456	26,488	130,205	1,665	48,376	451,069
At 1 January 2016	246,000	26,488	130,205	130,205	58,679	461,372
Total comprehensive income for the period	-	-	-	-	-	-
At 31 March 2016	246,000	26,488	130,205	130,205	58,679	461,372

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.

State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

During the three months ended 31 March 2017, the Company did not allot nor issue any shares, nor grant any share options under the Employee Share Option Scheme.

During the three months ended 31 March 2017, the Company did not buy back any share of the Company by the way of market acquisition and cancelled.

As at 31 March 2017, there were no outstanding share options / warrants / convertible securities / treasury shares.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

32,327,400 ordinary shares of HK\$7.50 each as at 31 December 2016.

32,327,400 ordinary shares of HK\$7.50 each as at 31 March 2017.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

During the three months ended 31 March 2017, the Company did not buy back any share of the Company by the way of market acquisition and cancelled.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has adopted the same accounting policies and methods of computation for the current reporting period as those used in the audited financial statements for the year ended 31 December 2016.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group adopted all the new and revised International Financial Reporting Standards (“IFRSs”) that are relevant to its operations and effective for the accounting period beginning on 1 January 2016. The adoption of these new and revised IFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current period.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	3 months ended 31 March	
	2017	2016
	HK cents	HK cents
Earnings per ordinary share for the period based on the net (loss) / profit for the period		
(a) Based on weighted average number of ordinary shares on issue; and	0.74	8.84 ⁽²⁾
(b) On a fully diluted basis	N/A	N/A

Basic earnings per share for the three months ended 31 March 2017 is calculated by dividing the profit for Q1 FY2017 attributable to owners of the Company of approximately HK\$238,000 (Q1 2016: HK\$2,899,000) by the weighted average number of ordinary shares in issue of 32,327,400 (Q1 2016: 32,800,000) during the Q1 2017.

No diluted earnings per share had been presented as the Group did not have any dilutive potential shares for the Q1 2017 and Q1 2016.

Note:

- (2) A total of 472,600 ordinary shares had been repurchased by the Company as at 31 March 2016 and such shares (“Repurchased Shares”) are in the process of being cancelled. The total number of issued shares (excluding the Repurchased Shares) is 32,327,400 ordinary shares. If the weighted average number of ordinary shares on issue is adjusted on the assumption that the cancellation of the Repurchased Shares is effected on the respective dates on which such shares are repurchased, the earnings per ordinary share for the period based on the net profit for the period would be 8.97 HK cents.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:
(a) current financial period reported on; and
(b) immediately preceding financial year.

	The Group		The Company	
	31/03/2017	31/12/2016	31/03/2017	31/12/2016
	HK\$	HK\$	HK\$	HK\$
Net asset value per ordinary share based on issued share capital at the end of the year:	17.14	17.07	13.95	13.95
Number of ordinary shares in issue	32,327,400	32,327,400	32,327,400	32,327,400

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

8.1 Revenue

In Q1 2017, the Group's overall revenue decreased by HK\$65.0 million or 17.3%, from HK\$376.2 million in Q1 2016 to HK\$311.2 million in Q1 2017. A breakdown of the performance by the Group's 3 business segments is as follows:

Business Segment	(+/-) in HK\$	%	Comments
ODM/OEM	-85.0m	-25.1	The decrease in revenue in this segment was mainly due to slow-down order placement by customers.
Moulds and Tooling	+8.7m	+119.4	The revenue increase within this quarter was higher mainly due to more orders delivered compared to the corresponding quarter the previous year.
Machine Sales	+11.4m	+37.3	The increase in revenue from this segment was mainly due to comparatively more shipments this year.

Increase/Decrease in revenue by geographical segments for Q1/2017

Region	(+/-) in HK\$	%	Comments
Asia	-51.6m	-15.8	The decrease in revenue from Asia was mainly due to decrease in revenue from ODM/OEM Division.
North America	+6.2m	+670.2	The revenue increase was a result of picking up sales generated from ODM/OEM Division from this region.
Europe	-19.6m	-40.6	Same as Asia.

8.2 Gross profit and gross profit margin

In Q1 2017, the Group's gross profit decreased by 32.5% or HK\$10.4 million, generating gross profit margin of 6.9% (Q1 2016: 8.5%). The breakdown according to business segments is as follows:

Business Segment	(+/-) in HK\$	%	Comments
ODM/OEM	-12.3m	-51.4	The declined gross profit was mainly due to decrease in the sales with relatively higher margins.
Moulds and Tooling	+2.2m	+3,165.7	The increase of gross profit within this quarter was a result of increase in revenue.
Machine Sales	-0.3m	-3.2	No significant issue identified for the difference.

8.3 Other Income

The Group's other income decreased by HK\$0.4 million or 6.9%, from HK\$6.0 million in Q1 2016 to HK\$5.6 million in Q1 2017 was mainly due to a decrease of mold engineering income.

8.4 Selling and distribution expenses

The Group's selling and distribution expenses increased by HK\$0.3 million or 7.7%, from HK\$4.2 million in Q1 2016 to HK\$4.5 million in Q1 2017 was mainly due to an increase of import & export fee.

8.5 Administrative expenses

The Group's administrative expenses decreased by HK\$4.9 million or 20.4%, from HK\$24.2 million in Q1 2016 to HK\$19.3 million in Q4 2016 mainly due to HK\$3 million cost savings as a result of restructuring in ODM/OEM segment.

8.6 Finance Costs

Finance costs decreased by HK\$3.0 million or 52.4%, from HK\$5.7 million in Q1 2016 to HK\$2.7 million in Q1 2017 mainly due to the overall decrease in bank loans.

8.7 Income Tax Expenses

Income tax expense decrease of HK\$0.3 million or 46.8%, from HK\$0.6 million in Q1 2016 to HK\$0.3 million in Q1 2017, was in line with revenue decrease.

Financial position as at 31 March 2017**8.8 Non-current assets**

The Group's non-current assets stood at HK\$215.5 million, decreased by 2.6% or HK\$5.7 million, from HK\$221.2 million. This was due to total 1Q2017 depreciation expense being HK\$11.2 million, which were partially offset by the increase in capital expenditure on property, plant and equipment of HK\$5.1 million.

8.9 Current assets

The Group's current assets stood at HK\$883.9 million decreased by HK\$56.1 million or 6.0%, from HK\$940.0 million, mainly due to:

- a decrease in inventories of HK\$47.0 million mainly due to customers' delivery schedule;
- a decrease in trade and bills receivables of HK\$24.8 million in line with sales decrease;
- a decrease in prepayments, deposits and other receivables of HK\$4.5 million mainly due to decrease on purchase deposit paid for machinery and materials;
- a decrease in current tax assets of HK\$1.3 million; and

which were offset by:

- an increase in bank and cash balances of HK\$21.6 million.

8.10 Current liabilities

The Group's current liabilities stood at HK\$533.2 million decreased by HK\$64.1 million or 10.7%, from HK\$597.3 million, mainly due to:

- a decrease in trade and bills payables of HK\$61.2 million, mainly due to decrease of material purchase in ODM/OEM segment;
- a decrease in accruals and other payables of HK\$3.3 million mainly due to the payment of the accruals of bonus and salary in ODM/OEM segment;
- a decrease in short-term borrowings of HK\$0.4 million; and

which were offset by:

- an increase in current tax liabilities of HK\$0.8 million.

8.11 Non-current liabilities

There is no change in non-current long-term borrowings.

8.12 Statement of Cash Flows for the quarter ended 31 March 2017

As at 31 March 2017, the Group's cash resources of HK\$65.0 million are considered adequate for current operational needs. The net increase in cash and cash equivalents of HK\$19.5 million held by the Group for the year comprised:

- Net cash generated from operating activities of HK\$25.0 million resulted from better management and utilization of working capital;
- Net cash used in investing activities of HK\$5.1 million mainly due to additions of property, plant and equipment only;
- Net cash used in financing activities of HK\$0.4 million, mainly due to the repayment of trust receipt and import loans.

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable

10. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

Under the challenging external operating conditions, the Company spared no efforts to boost productivity and enhance cost efficiencies in the past few months. With satisfactory progress in process re-engineering, we believe we are now better positioned.

In addition, pilot production at our new plant under construction in Sragen, Indonesia is expected to commence on schedule in the second half of this year. This enables the Company to reap better economies of scale and competitive advantage in the future.

Our marketing efforts to woo quality orders are making good headway, together with our continuing product development initiatives with customers, we expect to see improvements in topline sales.

In view of all the above, the Board is cautiously optimistic that the Company will see improved financial performance and deliver a turnaround to profit for FY2017.

11. **Dividend**

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been declared/recommendeded for the current period reported on.

13. If the group has obtained a general mandate from shareholders of IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No IPT mandate has been obtained for the current period reported on.

14. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13)

There is no person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company for the financial period ended 31 March 2017.

15. Negative Assurance Confirmation Pursuant To Rule 705(4) of the Listing Manual

We, Tam Jo Tak, Dominic and Chiu Hau Shun, Simon, being two Directors of Combine Will International Holdings Limited (the "Company"), do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the 3 months financial period ended 31 March 2017 to be false or misleading.

On behalf of the Board of Directors,

Tam Jo Tak, Dominic
Executive Chairman

Chiu Hau Shun, Simon
Executive Director

BY ORDER OF THE BOARD

Tam Jo Tak, Dominic
Executive Chairman

09 May 2017