

Combine Will International Holdings Limited
(Incorporated in Cayman Islands)
(Co. Reg. No: MC-196613)

FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FIRST QUARTER AND THREE MONTHS ENDED 31 MARCH 2013

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

1(a)(i) Income statement for the quarter ended 31 March 2013

	The Group			
	3 months ended 31 March			
	2013	2012	Change	%
	HK\$'000	HK\$'000	HK\$'000	
Revenue	270,454	352,572	(82,118)	(23.29)
Cost of sales	(255,666)	(297,643)	(41,977)	(14.10)
Gross Profit	14,788	54,929	(40,141)	(73.08)
Other income	14,326	6,227	8,099	130.06
Selling and distribution expenses	(7,130)	(9,167)	(2,037)	(22.22)
Administrative expenses	(27,457)	(32,671)	(5,214)	(15.96)
(Loss) / Profit From Operations	(5,473)	19,318	(24,791)	(128.33)
Finance costs	(3,852)	(5,217)	(1,365)	(26.16)
(Loss) / Profit Before Tax	(9,325)	14,101	(23,426)	(166.13)
Income tax expense	(1,222)	(2,790)	(1,568)	(56.20)
(Loss) / Profit for the period	(10,547)	11,311	(21,858)	(193.25)
Attributable to:				
Owners of the Company	(7,075)	10,037	(17,112)	(170.49)
Non-controlling interests	(3,472)	1,274	(4,746)	(372.53)
	(10,547)	11,311	(21,858)	(193.25)

1(a)(ii) Statement of Comprehensive Income for the quarter ended 31 March 2013

	The Group			
	3 months ended 31 March			
	2013	2012	Change	%
	HK\$'000	HK\$'000	HK\$'000	
(Loss) / Profit for the period	(10,547)	11,311	(21,858)	(193.25)
Other comprehensive income				
Exchange difference on translating foreign operations	(417)	1,964	(2,381)	(121.23)
Other comprehensive income for the period, net of tax	(417)	1,964	(2,381)	(121.23)

Total comprehensive income for the period	(10,964)	13,275	(24,239)	(182.59)
Attributable to:				
Owners of the Company	(7,492)	10,362	(17,856)	(172.32)
Non-controlling interests	(3,472)	2,913	(6,383)	(219.12)
	(10,964)	13,275	(24,239)	(182.59)

Note:

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

	3 months ended	
	31 March	
	2013	2012
	HK\$'000	HK\$'000
Depreciation	13,627	13,332
Interest income	(219)	(1,843)
(Gain)/Loss on disposals of property, plant and equipment	-	(780)
Interest on bank loans and overdrafts	3,852	5,217
Exchange difference, net	375	106

1(b)(i) A balance sheet (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 31.03.2013	At 31.12.2012	At 31.03.2013	At 31.12.2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Property, plant and equipment	279,521	289,029	-	-
Investments In Subsidiaries	-	-	310,205	310,205
Goodwill	2,417	2,417	-	-
	281,938	291,446	310,205	310,205
Current assets				
Inventories	500,868	503,071	-	-
Trade and bills receivables	328,399	337,162	-	-
Prepayments, deposits and other receivables	169,564	170,241	-	-
Current tax assets	14,028	8,390	-	-
Due from Subsidiaries	-	-	151,513	151,513
Pledged bank deposits	249,289	-	-	-
Bank and cash balances	87,585	54,796	109	109
	1,349,733	1,073,660	151,622	151,622
Total assets	1,631,671	1,365,106	461,827	461,827
Current liabilities				
Trade and bills payables	120,018	155,134	-	-
Accruals and other payables	92,356	133,985	455	455
Term loans	250,000	-	-	-
Short-term borrowings	374,055	257,015	-	-
Long-term borrowings	47,266	47,303	-	-
Current tax liabilities	23,711	24,687	-	-
	907,406	618,124	455	455
Non-current liabilities				
Long-term borrowings	82,044	93,797	-	-
Deferred tax liabilities	3,140	3,140	-	-
	85,184	96,937	-	-
Total liabilities	992,590	715,061	455	455
	639,081	650,045	461,372	461,372
Equity attributable to owners of the Company				
Share capital	246,000	246,000	246,000	246,000
Reserves	378,596	386,090	215,372	215,372

Non-controlling interests	624,596	632,090	461,372	461,372
	14,485	17,955	-	-
Total equity	639,081	650,045	461,372	461,372

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 2013	As at 31 December 2012
Secured	Secured
HK\$'000	HK\$'000
671,321	304,318

Amount repayable after one year

As at 31 March 2013	As at 31 December 2012
Secured	Secured
HK\$'000	HK\$'000
82,044	93,797

Details of collaterals

The Group's banking facilities are secured by cross corporate guarantees executed by the group companies, and the guarantee issued by the Government of the Hong Kong Special Administrative Region and the Group's pledged bank deposits of HK\$249.3 million.

1(c) A cash flow statement (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	
	2013	2012
	HK\$'000	HK\$'000
Cash flows from operating activities		
(Loss) / Profit before tax	(9,325)	14,101
Adjustments for :		
Depreciation and amortization	13,627	13,332
Interest income	(219)	(1,843)
Finance costs	3,852	5,217
Operating profit before working capital changes	7,935	30,807
Decrease /(Increase) in inventories	2,203	(23,348)
Decrease in trade and bills receivables	8,763	39,801
Decrease /(Increase) in prepayments, deposits and other receivables	677	(7,260)
(Decrease) / Increase in trade and bills payables	(35,116)	1,939
Decrease in accruals and other payables	(41,629)	(19,004)
Cash (used in) / generated from operations	(57,167)	22,935
Income tax paid	(7,836)	(6,312)
Interest paid	(3,852)	(5,217)
Net cash (used in) / generated from operating activities	(68,855)	11,406
Cash flows from investing activities		
(Increase) /Decrease in pledged bank deposits	(249,289)	135,825
Purchase of property, plant and equipment	(4,119)	(4,944)
Interest received	219	1,843
Net cash (used in) / generated investing activities	(253,189)	132,724
Cash flows from financing activities		
Inception of new term loans	250,000	-
Repayment of short-term borrowings	-	(20,000)
Repayment of term loans	-	(133,803)
Repayment of long-term borrowings	(11,790)	(14,052)
Net generated/(repayment) of trust receipt and import loans	117,040	2,491
Net cash generated / (used in) from financing activities	355,250	(165,364)
Net increase / (decrease) in cash and cash equivalents	33,206	(21,234)
Cash and cash equivalents at beginning of the period	54,796	106,830
Net effect of exchange rate changes in consolidating subsidiaries	(417)	1,967
Cash and cash equivalents at end of the period	87,585	87,563

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 HK\$'000	Total HK\$'000
	Share capital	Share premium	Merger reserve	Statutory reserve	Translation reserve	Retained earnings	Subtotal		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2013	246,000	26,488	-	2,033	58,997	298,572	632,090	17,955	650,045
Total comprehensive income for the period	-	-	-	-	(417)	(7,075)	(7,492)	(3,472)	(10,964)
At 31 March 2013	246,000	26,488	-	2,033	58,580	291,497	624,598	14,483	639,081
At 1 January 2012	246,000	26,488	-	2,057	50,011	261,440	585,996	24,111	610,107
Total comprehensive income for the period	-	-	-	-	325	10,037	10,362	2,913	13,275
At 31 March 2012	246,000	26,488	-	2,057	50,336	271,477	596,358	27,024	623,382

The Company	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2013	246,000	26,488	130,205	58,679	461,372
Total comprehensive income for the period	-	-	-	-	-
At 31 March 2013	246,000	26,488	130,205	58,679	461,372
At 1 January 2012	246,000	26,488	130,205	58,679	461,372
Total comprehensive income for the period	-	-	-	-	-
At 31 March 2012	246,000	26,488	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 2013, the Company did not allot nor issue any shares, nor grant any share options under the Employee Share Option Scheme.

As at 31 March 2013 and the corresponding period of the financial year ended 31 December 2012, 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.**

32,800,000 ordinary shares of HK\$7.5 each as at 31 December 2012.

32,800,000 ordinary shares of HK\$7.5 each as at 31 March 2013.

- 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.**

Not applicable

- 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 preparing for the audited financial statements for the year ended 31 December 2012.

- 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 accounting period beginning on 1 January 2013. 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	
	2013	2012
	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	(21.57)	30.60
(b) On a fully diluted basis	N/A	N/A

Basic earnings per share is calculated by dividing the (Loss)/profit attributable to the owners of the Company of approximately HK\$(7,075,000) (Q1 2012: HK\$10,037,000) by the weighted average number of ordinary shares in issue of 32,800,000 (Q1 2012: 32,800,000) during the Q1 2013.

No diluted earnings per share had been presented as the Group did not have any dilutive potential shares for the Q1 2013 and Q1 2012.

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	
	31/3/2013	31/12/2012	31/3/2013	31/12/2012
	HK cents	HK cents	HK cents	HK cents
Net asset value per ordinary share based on issued share capital at the end of the year:	1,904.26	1,927.10	1,406.62	1,406.62
Number of ordinary shares in issue	32,800,000	32,800,000	32,800,000	32,800,000

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 2013, the Group's overall revenue decreased by HK\$82.1 million or 23.3%, from HK\$352.6 million in Q1 2012 to HK\$270.5 million in Q1 2013. The breakdown in the performance by the Group's 3 business segments is as follows:

Business Segment	(+/-) in HK\$	%	Comments
ODM/OEM	-37.7m	-14.9	Mainly due to differences in the timing of the delivery schedule and a slow-down in

			customer orders arising from uncertain global economic conditions.
Moulds and Tooling	-3.0m	-7.1	Due to a slow-down in customer orders arising from uncertain global economic conditions which resulted in a decrease in demand for our products.
Machine Sales	-41.4m	-71.3	Due to a slow-down in orders from our manufacturing customers in China which faced uncertain global economic conditions.

Increase/Decrease in revenue by geographical segments for Q1/2013

Region	(+/-) in HK\$	%	Comments
Asia	-100.0m	-33.2%	Mainly due to the decrease in sales in all business segments.
North America	-8.5m	-91.6%	Mainly due to a decrease in the ODM/OEM business segment and the Moulds and Tooling business segment.
Europe	+26.4m	+62.3	Mainly due to the increase in sales to this region by the Moulds and Tooling business segment.

8.2 Gross profit and gross profit margin

In Q1 2013, the Group's gross profit decreased by 73.1% or HK\$40.1 million, generating gross profit margin of 5.5% (Q1 2012: 15.6%). The breakdown according to business segments is as follows:

Business Segment	(+/-) in HK\$	%	Comments
ODM/OEM	-30.0m	-92.5	Mainly due to the decrease in sales and deferred shipments of products.
Moulds and Tooling	+1.3m	+21.7	Primarily due to increase in productivity which lead to lower cost for production.
Machine Sales	-11.4m	-68.5	Mainly due to decreased sales in the Machine Sales business segment.

8.3 Other Income

The Group's other income increased by HK\$8.1 million or 130.1%, from HK\$6.2 million in Q1 2012 to HK\$14.3 million in Q1 2013 mainly due to a receipt of a one-off government subsidy of in respect of one of the Company's mould injection technology development.

8.4 Selling and distribution expenses

The Group's selling and distribution expenses decreased by HK\$2.0 million or 22.2%, from HK\$9.2 million in Q1 2012 to HK\$7.1 million in Q1 2013 mainly due to decrease in sales commission and import / export fees brought about by decreased sales.

8.5 Administrative expenses

The Group's administrative expenses decreased by HK\$5.2 million or 16.0%, from HK\$32.7 million in Q1 2012 to HK\$27.4 million in Q1 2013 due to reduced bonus paid out and the results of our effort to reduce the overhead expenses.

8.6 Finance Costs

Finance costs decreased by HK\$ 1.4 million or 26.2%, from HK\$5.2 million in Q1 2012 to HK\$3.9 million in Q1 2013 mainly due to reduced bank borrowings.

8.7 Income Tax Expenses

Income tax expense decreased by HK\$1.6 million or 56.2%, from HK\$2.8 million in Q1 2012 to HK\$1.2 million in Q1 2013 mainly due to decreased profit.

Financial position as at 31 March 2013

31 March 2013 vs. 31 December 2012

8.8 Non-current assets

The Group's non-current assets decreased by HK\$9.5 million, due mainly to the increase in property, plant and equipment of HK\$4.1 million which was partially offset against the depreciation expense of HK\$13.6 million charged for the period ended 31 March 2013.

8.9 Current assets

The Group's current assets increased by HK\$276.1 million mainly due to:

- an increase in current tax assets of HK\$5.6 million (provision income tax paid and the loss for the period);
- an increase in pledged bank deposit of HK\$249.3 million; and
- an increase in bank and cash balances of HK\$32.8 million due mainly to reduced operational cash requirements;

which were offset by :

- a decrease in inventories of HK\$2.2 million due to customers' delivery schedule;
- a decrease in trade and bills receivables of HK\$8.8 million due to general decrease in revenue as well as the timing of customer delivery schedule; and

- a decrease in prepayments, deposits and other receivables of HK\$0.7 million due to decrease in purchase deposit paid to suppliers.

8.10 Current liabilities

The Group's current liabilities increased by HK\$289.3 million mainly due to:

- an increase in term loans of HK\$250.0 million; and
- an increase in short-term borrowings amounting to approximately HK\$117.0 million to finance the Group's working capital requirement;

which were offset by

- a decrease in trade and bills payables of HK\$35.1 million due to a mix of purchase with shorter credit period and decrease in purchase of raw materials;
- a decrease in accruals and other payables of HK\$41.6 million due to decreased amount of customer deposits received from Moulds & Tooling and Machine Sales business segments; and
- a decrease in current tax liabilities of HK\$1.0 million due to payment of tax net of the income tax charged for the period.

8.11 Non-current liabilities

The decrease in long-term borrowings is mainly due to repayment of the long-term borrowings in accordance to the payment schedule.

8.12 Statement of Cash Flows

As at 31 March 2013, the Group's cash resources of HK\$87.6 million are considered adequate for current operational needs. The net increase in cash and cash equivalents of HK\$33.2 million held by the Group for the 3 months ended 31 March 2013 comprised:

- Net cash used in operating activities of HK\$68.9 million to finance the working capital needs;
- Net cash used in investing activities of HK\$253.2 million, mainly due to increase in pledged bank deposits, and
- Net cash generated from financing activities of HK\$355.3 million, mainly due to the inception of new term 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.

ODM/OEM

We are continually affected by the global economy down-turn and the decrease in orders from our customers. However, we believe our customers are confident in our operation efficiency and products quality. Despite the decreased orders, we expect to receive continuing support from all our major customers in this year.

Moulds and Tooling

Due to the downturn of the global economy, this business segment has suffered a significant decrease in demand from overseas customers. Also, the intense competition from the Eastern China region further decreased the overall profit margin of moulds and tooling for the domestic market as well as the demand for moulds and tooling from Southern China region.

Machine Sales

Our customers are taking a cautious approach towards their capital expenditure and have put their production capacity expansion plan on-hold. As a result, we do not expect significant improvement in machine sales in the coming months.

General Outlook

Despite the challenging economic conditions, the Group remains resilient and is confident that its efforts in maintaining its strong customer relationships, continuous strength in cost control, improving productivity and investing in automation as well as adoption of new technology to enhance the functional capability of its products will enable the Group to steer through this difficult period.

While the Company is not in a position to provide definitive guidance in terms of the Group's financial performance in the next 12 months, the Company would like to caution that, due to the reasons stated above (in particular, the weak macro environment resulting in lower revenue), the Group is expected to report weaker financial performance especially in the next two or three quarters (compared to the corresponding periods in the last financial year).

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 / recommended for the current period reported on.

13. 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 2013.

14. 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.

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 2013 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

14 May 2013