

Combine Will International Holdings Limited

(Incorporated in Cayman Islands)

(Co. Reg. No: MC-196613)

FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SECOND QUARTER AND THREE MONTHS ENDED 30 JUNE 2014**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 and Loss for the quarter ended 30 June 2014

	The Group							
	3 months ended 30 June				6 months ended 30 June			
	2014	2013	Change	%	2014	2013	Change	%
	HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000	HK\$'000	
Revenue	501,085	280,874	220,211	78.40	900,621	551,328	349,293	63.35
Cost of sales	(461,077)	(280,607)	180,470	64.31	(828,220)	(536,273)	291,947	54.44
Gross Profit	40,008	267	39,741	14,884.27	72,401	15,055	57,346	380.91
Other income	9,078	8,227	851	10.34	21,855	22,553	(698)	(3.09)
Selling and distribution expenses	(5,947)	(6,047)	(100)	(1.65)	(10,580)	(13,177)	(2,597)	(19.71)
Administrative expenses	(32,767)	(26,599)	6,168	23.19	(65,709)	(54,056)	11,653	21.56
Profit/(Loss) From Operations	10,372	(24,152)	34,524	142.94	17,967	(29,625)	47,592	160.65
Finance costs	(4,888)	(6,017)	(1,129)	(18.76)	(10,856)	(9,869)	987	10.00
Profit/(Loss) Before Tax	5,484	(30,169)	35,653	118.18	7,111	(39,494)	46,605	118.01
Income tax expenses	(425)	(159)	266	167.30	(571)	(1,381)	(810)	(58.65)
Profit/(Loss) for the period	5,059	(30,328)	35,387	116.68	6,540	(40,875)	47,415	116.00
Attributable to:								
Owners of the Company	6,367	(29,743)	36,110	121.41	8,143	(36,818)	44,961	122.12
Non-controlling interests	(1,308)	(585)	(723)	(123.59)	(1,603)	(4,057)	2,454	60.49

1(a)(ii) Statement of Profit or Loss and other Comprehensive Income for the quarter ended 30 June 2014

	The Group							
	3 months ended 30 June				6 months ended 30 June			
	2014	2013	Change	%	2014	2013	Change	%
	HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000	HK\$'000	
Profit/(Loss) for the period	5,059	(30,328)	35,387	116.68	6,540	(40,875)	47,415	116.00
Other comprehensive income								
Exchange difference on translating foreign operations	(7,277)	5,285	(12,562)	(237.69)	(9,237)	4,868	(14,105)	(289.75)
Other comprehensive income for the period	(7,277)	5,285	(12,562)	(237.69)	(9,237)	4,868	(14,105)	(289.75)
Total comprehensive income for the period	(2,218)	(25,043)	22,825	91.14	(2,697)	(36,007)	33,310	92.51
Attributable to:								
Owners of the Company	(910)	(24,458)	23,548	96.28	(1,094)	(31,950)	30,856	96.58
Non-controlling interests	(1,308)	(585)	(723)	(123.59)	(1,603)	(4,057)	2,454	60.49

Note:

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

	3 months ended 30 June		6 months ended 30 June	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	12,630	18,033	25,099	31,660
(Gain)/Loss on disposals of property, plant and equipment	(2,144)	(396)	(1,533)	(396)
Interest income	(1,945)	(3,810)	(6,545)	(4,029)
Interest on bank loans and overdrafts	4,888	6,017	10,856	9,869
Exchange difference, net	9,673	(3,526)	23,034	(3,117)

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 30.06.2014	At 31.12.2013	At 30.06.2014	At 31.12.2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Property, plant and equipment	248,011	260,721	-	-
Investments In Subsidiaries	-	-	461,263	461,263
Goodwill	2,417	2,417	-	-
	250,428	263,138	461,263	461,263
Current assets				
Inventories	549,751	510,790	-	-
Trade and bills receivables	361,987	365,772	-	-
Prepayments, deposits and other receivables	172,374	199,456	-	-
Current tax assets	10,898	8,425	-	-
Pledged bank deposits	304,308	763,193	-	-
Bank and cash balances	67,840	67,458	109	109
	1,467,158	1,915,094	109	109
Total assets	1,717,586	2,178,232	461,372	461,372
Current liabilities				
Trade and bills payables	330,557	234,232	-	-
Accruals and other payables	105,426	121,032	-	-
Term loans	297,500	747,500	-	-
Short-term borrowings	234,694	297,418	-	-
Long-term borrowings	42,223	46,089	-	-
Current tax liabilities	15,578	18,496	-	-
	1,025,978	1,464,767	-	-
Non-current liabilities				
Long-term borrowings	28,601	47,761	-	-
Deferred tax liabilities	3,140	3,140	-	-
	31,741	50,901	-	-
Total liabilities	1,057,719	1,515,668	-	-
Equity attributable to owners of the Company				
Share capital	246,000	246,000	246,000	246,000
Reserves	402,990	404,084	215,372	215,372
	648,990	650,084	461,372	461,372
Non-controlling interests	10,877	12,480	-	-
Total equity	659,867	662,564	461,372	461,372
Total liabilities and equity	1,717,586	2,178,232	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 30 June 2014	As at 31 December 2013
Secured	Secured
HK\$'000	HK\$'000
574,417	1,091,007

Amount repayable after one year

As at 30 June 2014	As at 31 December 2013
Secured	Secured
HK\$'000	HK\$'000
28,601	47,761

Details of collaterals

The Group's banking facilities are secured by cross corporate guarantees executed by the group companies, the guarantee issued by the Government of the Hong Kong Special Administrative Region and the Group's pledged bank deposits of HK\$297.5 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 30 June		6 months ended 30 June	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash flows from operating activities				
Profit/(Loss) before tax	5,484	(30,169)	7,111	(39,494)
Adjustments for :				
Depreciation	12,630	18,033	25,099	31,660
(Gain)/Loss on disposal of property, plant and equipment	(2,114)	(396)	(1,533)	(396)
Interest income	(1,945)	(3,810)	(6,545)	(4,029)
Finance costs	4,888	6,017	10,856	9,869
Operating profit /(Loss) before working capital changes	18,943	(10,325)	34,988	(2,390)
(Increase)/ Decrease in inventories	(32,004)	8,747	(38,961)	10,950
(Increase)/Decrease in trade and bills receivables	(36,555)	8,618	3,785	17,381
Decrease in prepayments, deposits and other receivables	23,531	7,773	27,082	8,450
Increase/(Decrease) in trade and bills payables	98,152	(14,392)	96,325	(49,508)
Increase/(Decrease) in accruals and other payables	7,027	(4,651)	(15,606)	(46,280)
Cash generated from/(used in) operations	79,094	(4,230)	107,613	(61,397)
Interest paid	(4,888)	(6,017)	(10,856)	(9,869)
Income tax paid	(2,398)	(1,978)	(5,962)	(9,814)
Net cash generated from/(used in) operating activities	71,808	(12,225)	90,795	(81,080)
Cash flows from investing activities				
Decrease /(Increase) in pledged bank deposits	190,787	(504,361)	458,885	(753,650)
Purchase of property, plant and equipment	(7,230)	(1,283)	(13,381)	(5,402)
Proceeds from disposals of PPE	2,525	558	2,525	558
Interest received	1,945	3,810	6,545	4,029
Net cash generated/(used in) from investing activities	188,027	(501,276)	454,574	(754,465)
Cash flows from financing activities				
Inception of new term loans	-	497,500	-	747,500
Repayment of term loans	(200,000)	-	(450,000)	-
Repayment of long-term borrowings	(11,237)	(11,784)	(23,026)	(23,574)
Net (repayment)/advance of trust receipt and import loans	(22,239)	(3,635)	(62,724)	113,405
Net cash (used in)/generated from financing activities	(233,476)	482,081	(535,750)	837,331
Net increase/(decrease) in cash and cash equivalents	26,359	(31,420)	9,619	1,786
Cash and cash equivalents at beginning of the period	48,758	87,585	67,458	54,796
Net effect of exchange rate changes in consolidating subsidiaries	(7,277)	5,681	(9,237)	5,264
Cash and cash equivalents at end of the period	67,840	61,846	67,840	61,846

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 HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000	Subtotal HK\$'000		
At 1 January 2014	246,000	26,488	2,033	69,726	305,837	650,084	12,480	662,564
Total comprehensive income for the period	-	-	-	(9,237)	8,143	(1,094)	(1,603)	(2,697)
At 30 June 2014	246,000	26,488	2,033	60,489	313,980	648,990	10,877	659,867
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	-	-	-	4,868	(36,818)	(31,950)	(4,057)	(36,007)
At 30 June 2013	246,000	26,488	2,033	63,865	261,754	600,140	13,898	614,038

The Company	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2014	246,000	26,488	130,205	58,679	461,372
Total comprehensive income for the period	-	-	-	-	-
At 30 June 2014	246,000	26,488	130,205	58,679	461,372
At 1 January 2013	246,000	26,488	130,205	58,679	461,372
Total comprehensive income for the period	-	-	-	-	-
At 30 June 2013	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 30 June 2014, the Company did not allot nor issue any shares, nor grant any share options under the Employee Share Option Scheme.

As at 30 June 2014, 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 2013.

32,800,000 ordinary shares of HK\$7.5 each as at 30 June 2014.

- 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 the audited financial statements for the year ended 31 December 2013.

- 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 2014. 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.**

	The Group			
	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	HK cents	HK cents	HK cents	HK cents
Earnings per ordinary share for the period based on the net profit for the period				
(a) Based on weighted average number of ordinary shares on issue; and	19.41	(90.68)	24.83	(112.3)
(b) On a fully diluted basis	N/A	N/A	N/A	N/A

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of approximately HK\$6,367,000 (Q2 2013: loss attributable to owners of the company of approximately HK\$29,743,000) by the weighted average number of ordinary shares in issue of 32,800,000 (Q2 2013: 32,800,000) during the Q2 2014 period.

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of approximately HK\$8,143,000 (HY 2013: loss attributable to owners of the company of approximately HK\$36,818,000) by the weighted average number of ordinary shares in issue of 32,800,000 (HY 2013: 32,800,000) during the HY 2014 period.

No diluted earnings per share are presented as the Group did not have any dilutive potential shares for the Q2 2014 and Q2 2013 periods.

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	
	30/6/2014	31/12/2013	30/6/2014	31/12/2013
	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:	1,978.63	1,981.96	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 Q2 2014, the Group's overall revenue increased by HK\$220.2 million or 78.4%, from HK\$280.9 million in Q2 2013 to HK\$501.1 million in Q2 2014. The breakdown in the performance by the Group's 3 business segments is as follows:

Business Segment	(+/-) in HK\$	%	Comments
ODM/OEM	+231.0m	+105.1	The increase in revenue was mainly due to a recovery in sales for Q2 2014 compared to the slow start experienced in 2013 as reflected by the reduced orders for the same period in Q2 2013.
Moulds and Tooling	-8.1m	-25.8	The decreased revenue mainly due to continued streamlining of our operations in view of the prevailing for expect continue competitive pricing pressures.
Machine Sales	-2.7m	-9.2	The decreased revenue was due to the difference in delivery schedules between Q2 2014 and Q2 2013.

Increase/Decrease in revenue by geographical segments for Q2/2014

Region	(+/-) in HK\$	%	Comments
Asia	+134.7m	+57.6	The increase in revenue from Asia was due to increased sales in the ODM/OEM business segment which was partly offset by the decreased sales in both the Moulds and Tooling and the Machine Sales business segments.
North America	+3.6m	+54.8	The increase in revenue from North America was mainly due to increased sales in both the ODM/OEM and the Moulds and Tooling business segments.
Europe	+81.9m	+201.7	The increase in revenue from Europe was mainly due to the increased sales in the ODM/OEM business segments which was partly offset by the decreased sales in the Moulds and Tooling business segment.

8.2 Gross profit and gross profit margin

In Q2 2014, the Group's gross profit increased by 14,884.3% or HK\$39.7 million, generating gross profit margin of 8.0% (Q2 2013: 0.1%). The breakdown according to business segments is as follows:

Business Segment	(+/-) in HK\$	%	Comments
ODM/OEM	+48.3m	+547.2	The increase in gross profit was mainly due to the increase in sales.
Moulds and Tooling	-4.0m	-942.2	The decrease in gross profit was due to the decrease in sales.
Machine Sales	-4.6m	-48.8	The decrease in gross profit was due to the decrease in sales as well as a different product mix with a lower overall profit margin.

8.3 Other Income

The Group's other income increased by HK\$0.9 million or 10.3%, from HK\$8.2 million in Q2 2013 to HK\$9.1 million in Q2 2014 mainly due to an increase in the Moulds Engineering income which arose from customers' requests for additional assistance in the design and production of their moulds.

8.4 Selling and distribution expenses

The Group's selling and distribution expenses decreased by HK\$0.1 million or 1.7%, from HK\$6.0 million in Q2 2013 to HK\$5.9 million in Q2 2014 mainly due to the decrease of HK\$1.3 million in both the Moulds and Tooling as well as Machine Sales business segment arising from the decrease in sale. The decrease in expense in these two segments offset by the increase in expense of HK\$1.2 million in the ODM/OEM business segment.

8.5 Administrative expenses

The Group's administrative expenses increased by HK\$6.2 million or 23.2%, from HK\$26.6 million in Q2 2013 to HK\$32.8 million in Q2 2014. This change was mainly due to foreign exchange losses of HK\$9.7 million which were partially mitigated by the decrease in staff welfare expense arising from a one-off payment of HK\$3.5 million for long term services happen in 2013 Q2.

8.6 Finance Costs

Finance costs decreased by HK\$1.1 million or 18.8%, from HK\$6.0 million in Q2 2013 to HK\$4.9 million in Q2 2014 mainly due to decreased of borrowings.

8.7 Income Tax Expenses

Income tax expenses increased by HK\$0.3 million or 167.3%, from HK\$0.1 million in Q2 2013 to HK\$0.4 million in Q2 2014 mainly due to an increase in profit.

Financial position

8.8 Non-current assets

The Group's non-current assets decreased by 4.9% or HK\$12.7 million as at 30 June 2014. This was mainly due to the depreciation expense of HK\$25.1 million charged for the period ended 30 June 2014 being partially offset by the increase in capital expenditure on property, plant and equipment of HK\$13.4 million.

8.9 Current assets

As at 30 June 2014, the Group's current assets decreased by HK\$447.9 million or 23.4%, from HK\$1,915.1 million as at 31 December 2013 to HK\$1,467.2 million mainly due to:

- a decrease in pledged bank deposits of HK\$458.9 million;
- a decrease in prepayments, deposits and other receivables of HK\$27.1 million mainly due to receive the bank interest from pledged bank deposit and a decrease in purchase deposits paid to suppliers; and
- a decrease in trade and bills receivables of HK\$3.8 million due to the different mix of customer's payment term and the timing of customer delivery schedule;

which were partially offset by :

- an increase in inventories of HK\$39.0 million in order to accommodate customer delivery schedules;
- an increase in current tax assets of HK\$2.5 million, and
- an increase in bank and cash balances of HK\$0.4 million.

8.10 Current liabilities

As at 30 June 2014, the Group's current liabilities decreased by HK\$438.8 million or 30.0%, from HK\$1,464.8 million as at 31 December 2013 to HK\$1,026.0 million mainly due to:

- a decrease in term loans of HK\$450.0 million;
- a decrease in short-term borrowings amounting to approximately HK\$62.7 million mainly due to repayment of trust receipts and import loans;
- a decrease in accruals and other payables of HK\$15.6 million mainly due to the payment of the accruals of bank interest for term loans;
- a decrease in the current portion of long-term borrowings amounting to approximately HK\$3.9 million due to loan repayments in accordance with the payment schedule; and
- a decrease in current tax liabilities of HK\$2.9 million due to the payment of taxes net of the income tax charged for the period;

which were partially offset by :

- an increase in trade and bills payables of HK\$96.3 million, a reflection of an increase in production output in the six months ended June 2014.

8.11 Non-current liabilities

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

8.12 Statement of Cash Flows

As at 30 June 2014, the Group's cash resources of HK\$67.8 million are considered adequate for its current operational needs. The net increase in cash and cash equivalents of HK\$67.5 million held by the Group for the 6 months ended 30 June 2014 is comprised of:

- Net cash generated from operating activities of HK\$90.8 million mainly due to improved business performance;
- Net cash generated from investing activities of HK\$454.6 million, mainly due to a decrease in pledged bank deposits;
- Net cash used in financing activities of HK\$535.8 million, mainly due to the repayment of term loans, trust receipts 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.

ODM/OEM

With continued support of our core customers and increased revenue from the introduction of a new product, we expect to see continued stable performance for the ODM/OEM business segment. However, to address the pressure from price competition and enhanced our competitiveness, we shall continue our R&D efforts and to invest in automation to improve efficiency.

Moulds & Tooling

In view of the strong price competition in the China market, we will adopt a cautious approach to evaluate and accept new orders while continuing in our efforts in further streamlining our operations to reduce fixed costs.

Machine Sales

Most of our clients have maintained a cautious approach towards capital expenditure in view of the Chinese banks' tight lending policy and we expect the situation to continue until the end of this year. In addition to providing value added service to our customer, we carried a new and more cost efficient brand to fulfil the needs for our customers.

Whilst we faced strong competitive pressures for our Moulds & Tooling segment and Machine Sales segment, business conditions for our core ODM/OEM business segment have improved. With our business on the path to recovery, we remain cautiously optimistic of the overall outlook for our Company's performance for the rest of the 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. 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 30 June 2014.

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 6 months financial period ended 30 June 2014 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

12 August 2014