

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 2012

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 2012

	The Group			
	3 months ended 31 March			
	2012	2011	Change	%
	HK\$'000	HK\$'000	HK\$'000	
Revenue	352,572	453,599	(101,027)	(22.27)
Cost of sales	(297,643)	(385,587)	(87,944)	(22.81)
Gross Profit	54,929	68,012	(13,083)	(19.24)
Other income	6,227	6,048	179	2.96
Selling and distribution expenses	(9,167)	(9,979)	(812)	(8.14)
Administrative expenses	(32,671)	(34,498)	(1,827)	(5.30)
Profit From Operations	19,318	29,583	(10,265)	(34.70)
Finance costs	(5,217)	(5,967)	(750)	(12.57)
Profit Before Tax	14,101	23,616	(9,515)	(40.29)
Income tax expense	(2,790)	(5,047)	(2,257)	(44.72)
Profit for the period	11,311	18,569	(7,258)	(39.09)
Attributable to:				
Owners of the Company	10,037	15,498	(5,461)	(35.24)
Non-controlling interests	1,274	3,071	(1,797)	(58.52)
	11,311	18,569	(7,258)	(39.09)

1(a)(ii) Statement of Comprehensive Income for the quarter ended 31 March 2012

	The Group			
	3 months ended 31 March			
	2012	2011	Change	%
	HK\$'000	HK\$'000	HK\$'000	
Profit for the period	11,311	18,569	(7,258)	(39.09)
Other comprehensive income				
Exchange difference on translating foreign operations	1,964	3,468	(1,504)	(43.37)
Other comprehensive income for the period, net of tax	1,964	3,468	(1,504)	(43.37)

Total comprehensive income for the period	13,275	22,037	(8,762)	(39.76)
Attributable to:				
Owners of the Company	10,362	18,966	(8,604)	(45.37)
Non-controlling interests	2,913	3,071	(158)	(5.14)
	13,275	22,037	(8,762)	(39.76)

Note:

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

	3 months ended	
	31 March	
	2012	2011
	HK\$'000	HK\$'000
Depreciation	13,332	13,557
Interest income	(1,843)	(1,459)
Interest on bank loans and overdrafts	5,217	5,967
Exchange difference, net	106	(772)

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 31.03.2012	At 31.12.2011	At 31.03.2012	At 31.12.2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Property, plant and equipment	295,235	303,626	-	-
Investments In Subsidiaries	-	-	310,205	310,205
Goodwill	2,417	2,417	-	-
	297,652	306,043	310,205	310,205
Current assets				
Inventories	466,161	442,813	-	-
Trade and bills receivables	338,331	378,132	-	-
Prepayments, deposits and other receivables	187,511	180,251	-	-
Current tax assets	21,081	20,336	-	-
Due from Subsidiaries	-	-	151,513	151,513
Pledged bank deposits	193,814	329,639	-	-
Bank and cash balances	87,563	108,726	109	109
	1,294,461	1,459,897	151,622	151,622
Total assets	1,592,113	1,765,940	461,827	461,827
Current liabilities				
Trade and bills payables	198,509	196,570	-	-
Accruals and other payables	173,716	192,720	455	455
Term loans	192,728	326,531	-	-
Short-term borrowings	195,538	214,943	-	-
Long-term borrowings	51,324	53,393	-	-
Current tax liabilities	24,483	27,260	-	-
	836,298	1,011,417	455	455
Non-current liabilities				
Long-term borrowings	129,293	141,276	-	-
Deferred tax liabilities	3,140	3,140	-	-
	132,433	144,416	-	-
Total liabilities	968,731	1,155,833	455	455
	623,382	610,107	461,372	461,372
Equity attributable to owners of the Company				
Share capital	246,000	246,000	246,000	246,000
Reserves	350,358	339,996	215,372	215,372

Non-controlling interests	596,358 27,024	585,996 24,111	461,372 -	461,372 -
Total equity	623,382	610,107	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 2012	As at 31 December 2011
Secured	Secured
HK\$'000	HK\$'000
439,590	594,867

Amount repayable after one year

As at 31 March 2012	As at 31 December 2011
Secured	Secured
HK\$'000	HK\$'000
129,293	141,276

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, the Group's land and buildings with a carrying amount of HK\$10.7 million as at 31 March 2012 and the Group's pledged bank deposits of HK\$193.8 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	
	2012	2011
	HK\$'000	HK\$'000
Cash flows from operating activities		
Profit before tax	14,101	23,616
Adjustments for :		
Depreciation and amortization	13,332	13,557
Interest income	(1,843)	(1,459)
Finance costs	5,217	5,967
Operating profit before working capital changes	30,807	41,681
Increase in inventories	(23,348)	(62,278)
Decrease in trade and bills receivables	39,801	6,560
Increase in prepayments, deposits and other receivables	(7,260)	(24,355)
Increase /(Decrease) in trade and bills payables	1,939	(5,811)
(Decrease)/Increase in accruals and other payables	(19,004)	24,950
Cash generated/(used in) from operations	22,935	(19,253)
Income tax paid	(6,312)	(8,265)
Interest paid	(5,217)	(5,967)
Net cash generated/(used in) from operating activities	11,406	(33,485)
Cash flows from investing activities		
Decrease/(Increase) in pledged bank deposits	135,825	(135,016)
Purchase of property, plant and equipment	(4,944)	(4,117)
Interest received	1,843	1,459
Net cash generated/(used in) investing activities	132,724	(137,674)
Cash flows from financing activities		
Inception of new term loans	-	133,724
Repayment of short-term borrowings	(20,000)	-
Repayment of term loans	(133,803)	-
Repayment of long-term borrowings	(14,052)	(8,773)
Net generated/(repayment) of trust receipt and import loans	2,491	(326)
Net cash (used in)/generated from financing activities	(165,364)	124,625
Net decrease in cash and cash equivalents	(21,234)	(46,534)
Cash and cash equivalents at beginning of the period	106,830	160,009
Net effect of exchange rate changes in consolidating subsidiaries	1,967	3,301
Cash and cash equivalents at end of the period	87,563	116,776

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 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
At 1 January 2011	246,000	26,488	-	2,057	33,252	241,900	549,697	16,297	565,994
Total comprehensive income for the period	-	-	-	-	3,468	15,498	18,966	3,071	22,037
At 31 March 2011	246,000	26,488	-	2,057	36,720	257,398	568,663	19,368	588,031

The Company	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Retained earnings HK\$'000	Total HK\$'000
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
At 1 January 2011	246,000	26,488	130,205	60,000	462,693
Total comprehensive income for the period	-	-	-	-	-
At 31 March 2011	246,000	26,488	130,205	60,000	462,693

- 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 2012, the Company did not allot nor issue any shares, nor grant any share options under the Employee Share Option Scheme.

As at 31 March 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 2011.

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

- 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 2011.

- 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 2012. 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	
	2012	2011
	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	30.60	47.25
(b) On a fully diluted basis	N/A	N/A

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company of approximately HK\$10,037,000 (Q1 2011: HK\$15,498,000) by the weighted average number of ordinary shares in issue of 32,800,000 (Q1 2011: 32,800,000 (restated)) during the Q1 2012.

No diluted earnings per share had been presented as the Group did not have any dilutive potential shares for the Q1 2012 and Q1 2011.

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	
	31/3/2012	31/12/2011	31/3/2012	31/12/2011
	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:	1,818.16	1,786.57	1,406.62	1,406.62
Number of ordinary shares in issue	32,800,000	32,800,000	32,800,000	32,800,000

Net asset value per share as at 31 March 2012 was computed based on issued share capital of 32,800,000 ordinary shares of HK\$7.5 each (At 31 December 2011: 32,800,000 ordinary shares of HK\$7.5 each).

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 2012, the Group's overall revenue decreased by HK\$ 101.0 million or 22.3%, from HK\$453.6 million in Q1 2011 to HK\$ 352.6 million in Q1 2012. The breakdown in the performance by the Group's 3 business segments is as follows:

Business Segment	(+/-) in HK\$	%	Comments
ODM/OEM	-61.6m	-19.6	The decrease in revenue was mainly due to differences in the timing of the delivery schedule.
Moulds and Toolings	-24.6m	-36.8	The decreased revenue experienced was due to a slow-down of customer orders arising from an uncertain world economy which resulted in a decrease in demand for our products.
Machine Sales	-14.8m	-20.4	The decreased revenue experienced was due to a slow-down in orders from our manufacturing customers in China faced with an uncertain world economy.

Increase/Decrease in revenue by geographical segments for Q1/2012

Region	(+/-) in HK\$	%	Comments
Asia	-9.1m	-2.9%	The slight decrease in revenue from Asia was due to a general decline in sales to our customers in Asia which was offset by one of our major customer change of its point of purchase from North America and Europe to Singapore.
North America	-80.9m	-89.7%	The decrease in revenue from North America was primarily due to the major customer's change of its point of purchase from North America and Europe to Singapore.
Europe	-11.0m	-20.7	The decrease in revenue from Europe, in general, was in line with the overall decrease in revenue.

8.2 Gross profit and gross profit margin

In Q1 2012, the Group's gross profit decreased by 19.2% or HK\$13.1 million, generating gross profit margin of 15.6% (Q1 2011: 15.0%). The breakdown according to business segments is as follows:

Business Segment	(+/-) in HK\$	%	Comments
ODM/OEM	-2.8m	-7.9	The decrease in gross profits was in line with our decreased revenue. However, gross margins improved as the lower revenue was offset by improvements in our costs savings resulting from increased productivity due to our focus on the increased use of automation, more efficient technical design and better production planning.
Moulds and Toolings	-4.6m	-44.3	The decrease in gross profit was primarily due to price pressures experienced as a result of the slowdown in the U.S and Europe economy which led to a shrinkage of demand and increased competition for orders from customers.

Machine Sales	-5.7m	-25.4	The decrease in gross profit and gross margin due to a combination of decrease in revenue and price pressure as a result of the slowdown in the U.S and Europe economy impacting China manufacturers.
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8.3 Other Income

The Group's other income remain stable with slight increase of HK\$ 0.2 million or 3.0%, from HK\$ 6.0 million in Q1 2011 to HK\$ 6.2 million in Q1 2012.

8.4 Selling and distribution expenses

The Group's selling and distribution expenses decreased by HK\$ 0.8 million or 8.1%, from HK\$10.0 million in Q1 2011 to HK\$9.2 million in Q1 2012. As a percentage of revenue, selling and distribution expenses was higher at 2.6% for Q1 2012 compared to 2.2% in Q1 2011 due to variations on terms of the sales orders with more CIF as compared to ex-factory.

8.5 Administrative expenses

The Group's administrative expenses decreased by HK\$ 1.8 million or 5.3%, from HK\$34.5 million in Q1 2011 to HK\$ 32.7 million in Q1 2012 due to reduced bonus paid out as a result of lower profits recorded in FY2011.

8.6 Finance Costs

Finance costs decreased by HK\$ 0.8 million or 12.6%, from HK\$6.0 million in Q1 2011 to HK\$5.2 million in Q1 2012 mainly due to positive results of cash flow management to improve liquidity.

8.7 Income Tax Expenses

Income tax expense decreased by HK\$ 2.3 million or 44.7%, from HK\$5.0 million in Q1 2011 to HK\$2.8 million in Q1 2012 due to decrease in profit. Effective tax rates remained relatively stable at 19.8% and 21.4% for Q1 2012 and Q1 2011 respectively.

Financial position

8.8 Non-current assets

The Group's non-current assets decreased by 2.7% or HK\$8.4 million as at 31 March 2012, due mainly to the increase in property, plant and equipment of HK\$4.9 million which was partially offset against the depreciation expense of HK\$13.3 million charged for the period ended 31 March 2012.

8.9 Current assets

As at 31 March 2012, the Group's current assets decreased by HK\$165.4 million or 11.3%, from HK\$1,459.9 million as at 31 December 2011 to HK\$1,294.5 million mainly due to:

- a decrease in trade and bills receivables of HK\$39.8 million due to general decrease in revenue as well as the timing of customer delivery schedule;

- a decrease in pledged bank deposit of HK\$135.8 million
- a decrease in bank and cash balances of HK\$21.2 million due mainly to reduced operational cash requirements.

which were offset by :

- an increase in inventories of HK\$23.3 million due to a ramp up of our production activity to meet customers' orders for Q2 delivery schedule;
- an increase in prepayments, deposits and other receivables of HK\$7.3 million due to increase in purchase deposit paid to suppliers; and
- an increase in current tax assets of HK\$0.7 million due mainly to provision income tax paid during the period;

8.10 Current liabilities

As at 31 March 2012, the Group's current liabilities decreased by HK\$175.1 million or 17.3%, from HK\$1,011.4 million as at 31 December 2011 to HK\$836.3 million mainly due to:

- a decrease in accruals and other payables of HK\$19.0 million due to decreased amounts of customer deposits received from Moulds & Tools and Machine Sales business segments;
- a decrease in term loans of HK\$133.8 million due to repayment of loan;
- a decrease in current tax liabilities of HK\$2.8 million due to payment of tax net of the income tax charged for the period; and
- a decrease in short-term borrowings amounting to approximately HK\$19.4 million mainly due to our efforts at cash and treasury management aimed at reducing interest expense as well as to improve working capital position;

which were offset by

- a slight increase in trade and bills payables amounting to approximately HK\$1.9 million due to mix of purchase with shorter credit 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 2012, the Group's cash resources of HK\$87.6 million are considered adequate for current operational needs. The net decrease in cash and cash equivalents of HK\$21.2 million held by the Group for the 3 months ended 31 March 2012 comprised:

- Net cash generated from operating activities of HK\$11.4 million, due to better trade cycle management;
- Net cash generated from investing activities of HK\$132.7 million; and
- Net cash used in financing activities of HK\$165.4 million.

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.

The Group's operating environment in 1Q2012 remained challenging. Ongoing weakness in the Eurozone, restrained growth prospects in the United States and slower growth in the Asian economies resulted in a slowdown of customer orders which impacted the demand for the Group's products. Sales from Moulds and Tooling and Machine Sales were significantly reduced.

For Q1 2012, the Group continued to see rising business costs in the PRC arising from inflation and the appreciation of the RMB. To mitigate the increasing business costs as well as to take advantage of any potential cost savings, tax incentives and government subsidies, the Group is accelerating its evaluation in the setting up of a new production facility.

In view of rising cost pressures, the Group will continue to focus on improving cost control and operational efficiency, build strategic partnership with its core customers, strengthen its core competitive advantages and focus its resources on developing long term sustainable businesses and relationships.

ODM/OEM

We expect demand to pick up over the course of 2012. Hence, the Group will continue to improve its trade cycle with the aim to conserve cash for capex for ODM/OEM's capacity expansion.

Moulds and Tooling

We will continue to focus on consolidating and streamlining the Moulds & Tooling segment, which may include phasing out less profitable business.

Machine Sales

We expect sales for the Machine Sales segment to be moderated due to subdued demand from our customers who are mainly manufacturers in the PRC.

Nonetheless, despite the challenges faced by the Group, barring unforeseen circumstances, the Group remains confident of its future prospects and expects to continue to remain profitable for 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. Negative Assurance Confirmation Pursuant To Rule 705(5) 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 2012 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

11 May 2012