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 2019

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 2019

	The Group			
	3 months ended 31 March			
	2019	2018	Change	%
	HK$'000	HK$'000	HK$'000	
Continuing Operations				
Revenue	**541,521**	**354,296**	**187,225**	**53**
Cost of sales	(502,157)	(332,786)	169,371	51
Gross Profit	**39,364**	**21,510**	**17,854**	**83**
Other income	4,821	13,772	(8,951)	(65)
Selling and distribution expenses	(2,951)	(5,811)	(2,860)	(49)
Administrative expenses	(20,907)	(20,953)	(46)	-
Profit From Operations	**20,327**	**8,518**	**11,809**	**139**
Finance costs	(4,964)	(2,614)	2,350	90
Profit Before Tax	**15,363**	**5,904**	**9,459**	**160**
Income tax expense	(2,741)	(1,228)	1,513	123
Profit for the period from continuing operations	**12,622**	**4,676**	**7,946**	**170**
Discontinuing Operations				
Loss for the period from discontinuing operations	(2,763)	-	(2,763)	N.M.*
Profit for the period	**9,859**	**4,676**	**5,183**	**111**
Attributable to:				
Owners of the Company	13,011	4,508	8,503	189
Non-controlling interests	(3,152)	168	(3,320)	N.M.
	9,859	**4,676**	**5,183**	**111**

**N.M. - Not Meaningful*

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 31.03.2019	At 31.12.2018	At 31.03.2019	At 31.12.2018
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets				
Property, plant and equipment	301,454	225,769	-	-
Investments In subsidiaries	-	-	461,263	461,263
Other receivables	11,833	-	11,833	-
Goodwill	1,927	1,927	-	-
	315,214	227,696	473,096	461,263
Current assets				
Inventories	361,770	590,787	-	-
Trade and bills receivables	190,310	217,189	-	-
Prepayments, deposits and other receivables	417,239	157,254	3,000	-
Current tax assets	2,645	1,753	-	-
Financial assets at fair value through profit or loss ("FVTPL")	119,596	78,055	-	-
Bank and cash balances	58,230	89,872	1,125	1,125
	1,149,790	1,134,910	4,125	1,125
Total assets	**1,465,004**	**1,362,606**	**477,221**	**462,388**
Current liabilities				
Trade and bills payables	239,314	209,573	-	-
Accruals and other payables	160,690	174,373	-	-
Amount due to a subsidiary	-	-	11,319	11,319
Short-term loans and borrowings	289,963	261,985	-	-
Current tax liabilities	7,315	6,259	-	-
	697,282	652,190	11,319	11,319
Non-current liabilities				
Long-term loans and borrowings	108,686	67,500	-	-
Financial guarantee contract liabilities	2,000	-	-	-
Deferred tax liabilities	2,650	2,650	-	-
	113,336	70,150	-	-
Total liabilities	**810,618**	**722,340**	**11,319**	**11,319**
Equity attributable to owners of the Company				
Share capital	242,456	242,456	242,456	242,456
Reserves	419,930	386,765	223,446	208,613
	654,386	629,221	465,902	451,069
Non-controlling interests	-	11,045	-	-
Total equity	**654,386**	**640,266**	**465,902**	**451,069**
Total liabilities and equity	**1,465,004**	**1,362,606**	**477,221**	**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 2019	As at 31 December 2018
Secured	Secured
HK$'000	HK$'000
268,126	261,985

Amount repayable after one year

As at 31 March 2019	As at 31 December 2018
Secured	Secured
HK$'000	HK$'000
67,500	67,500

Details of collaterals

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

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	
	2019	2018
	HK$'000	HK$'000
Cash flows from operating activities		
Profit before tax		
Continuing operations	15,363	5,904
Discontinued operations	(2,763)	-
	12,600	**5,904**
Adjustments for :		
Recognition of financial guarantee contract liabilities	3,000	-
Depreciation	17,479	12,620
Interest income	(91)	(17)
Finance costs	4,964	2,614
Gain on disposal of subsidiaries	(95)	-
Operating profit before working capital changes	**37,857**	**21,121**
Increase in inventories	(55,016)	(34,330)
Decrease / (Increase) in trade and bills receivables	24,871	(44,292)
Increase in prepayments, deposits and other receivables	(26,201)	(46,841)
(Increase) / decrease in trade and bills payables	34,781	(25,699)
(Decrease) / Increase in accruals and other payables	(1,317)	12,435
Cash generated from / (used in) operations	**14,975**	**(117,606)**
Income tax paid	(4,297)	(1,312)
Interest paid	(2,007)	(2,614)
Net cash generated from / (used in) operating activities	**8,671**	**(121,532)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(25,012)	(3,408)
Purchase of financial assets at FVTPL	(41,541)	-
Net cash outflow from disposal of a subsidiaries	(10,998)	-
Interest received	91	17
Net cash used in investing activities	**(77,460)**	**(3,391)**
Cash flows from financing activities		
Acquisition of non-controlling interests	(1,219)	-
Payment of lease liabilities	(6,794)	-
Net advancement of trust receipt and import loans	31,913	114,116
Net cash generated from financing activities	**23,900**	**114,116**
Net decrease in cash and cash equivalents	**(44,889)**	**(10,807)**
Cash and cash equivalents at beginning of the period	**89,872**	**73,064**
Net effect of exchange rate changes in consolidating subsidiaries	**13,247**	**11,998**
Cash and cash equivalents at end of the period	**58,230**	**74,255**

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								
	Share capital	Share premium	Statutory reserve	Capital redemption reserve	Translation reserve	Retained earnings	Subtotal	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2019	**242,456**	**26,488**	**2,033**	**1,665**	**(4,888)**	**361,467**	**629,221**	**11,045**	**640,266**
Adjustment on initial application of IFRS 16	-	-	-	-	-	(1,186)	(1,186)	-	(1,186)
Resected balance At 1 January 2019	**242,456**	**26,488**	**2,033**	**1,665**	**(4,888)**	**360,281**	**628,035**	**11,045**	**639,080**
Total comprehensive income for the period	-	-	-	-	13,693	13,011	26,704	(3,216)	23,488
Acquisition of non-controlling interests	-	-	-	-	-	(353)	(353)	(866)	(1,219)
Disposal of subsidiaries	-	-	-	-	-	-	-	(6,963)	(6,963)
At 31 March 2019	**242,456**	**26,488**	**2,033**	**1,665**	**8,805**	**372,939**	**654,386**	-	**654,386**
At 1 January 2018	**242,456**	**26,488**	**2,033**	**1,665**	**6,627**	**308,720**	**587,989**	**11,177**	**599,166**
Total comprehensive income for the period	-	-	-	-	11,708	4,508	16,216	168	16,384
At 31 March 2018	**242,456**	**26,488**	**2,033**	**1,665**	**18,335**	**313,228**	**604,205**	**11,345**	**615,550**

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 2019	**242,456**	**26,488**	**130,205**	**1,665**	**50,255**	**451,069**
Total comprehensive income for the period	-	-	-	-	14,833	14,833
At 31 March 2019	**242,456**	**26,488**	**130,205**	**1,665**	**65,088**	**465,902**
At 1 January 2018	**242,456**	**26,488**	**130,205**	**1,665**	**50,255**	**451,069**
Total comprehensive income for the period	-	-	-	-	-	-
At 31 March 2018	**242,456**	**26,488**	**130,205**	**1,665**	**50,255**	**451,069**

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 2019, 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 2019, the Company did not buy back any shares of the Company by the way of market acquisition and cancelled.

As at 31 March 2019, 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.

Date	Number of shares of HKD7.50 each
31 March 2019	32,327,400
31 December 2018	32,327,400

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 2019, the Company did not buy back any shares 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.

Except as disclosed in Section 5 below, 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 2018.

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 2019. The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

Under IFRS 15, sales are recognised either when control of the products has transferred, being when the products are delivered to the customers; or when a performance obligation is satisfied over time by reference to the progress towards complete satisfaction.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. For revenue recognized over time, payment is not due from the customer until the products are delivered and therefore a contract asset is recognised over the period in which the goods and services are performed representing the entity's right to consideration for the goods and services performed to date.

Before IFRS 16, leases that do not substantially transfer to the leases all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (not of any incentives received from the lessor) are recognized as expenses on a straight-line basis over the lease term.

Under IFRS 16, the Group recognizes and measures a liability at the present value of the future minimum lease payments and recognize a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset recognize in profit or loss. As a result, right-to-use assets increased by HK$35.1 million (Q1 2019 –HK$60.9 million included in property, plant and equipment) and lease liabilities increased by HK$36.3 million (Q1 2019 – HK$63.0 million included in loans and borrowings), resulting in a net decrease of HK$1.2 million in retained earnings as at 31 December 2018.

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.

Earnings per ordinary share for the period based on the net (loss) / profit for the period (in HK cents)	**3 months ended 31 March**	
	2019	2018
(a) Based on weighted average number of ordinary shares on issue; and	40.25	13.94
(b) On a fully diluted basis	N/A	N/A

Basic earnings per share for the three months ended 31 March 2019 is calculated by dividing the profit for Q1 2019 attributable to owners of the Company of approximately HK$13,011,000 (Q1 2018: HK$4,508,000) by the weighted average number of ordinary shares in issue of 32,327,400 (Q1 2018: 32,327,400) during the Q1 2019.

No diluted earnings per share had been presented as the Group did not have any dilutive potential shares for the Q1 2019 and Q1 2018.

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	
	31/03/2019	**31/12/2018**	**31/03/2019**	**31/12/2018**
	HK$	**HK$**	**HK$**	**HK$**
Net asset value per ordinary share based on issued share capital at the end of the year:	20.24	19.46	14.41	13.95

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.

As mentioned in paragraph 5 above, the implementation of IFRS 15 and 16 has significantly affected various figures reported including the revenue, gross profit, inventory, right-to-use assets and lease liabilities for the current period reported on.

8.1 Revenue

The Group's overall revenue increased by HK$187.2 million or 52.8%, from HK$354.3 million in Q1 2018 to HK$541.5 million in Q1 2019 was mainly due to an increase of HK$230.5 million from ODM/OEM business segment as a result of continuous orders placed by our core customers.

8.2 Gross profit and gross profit margin

In Q1 2019, the Group's gross profit increased by 83.0% or HK$17.9 million, generating gross profit margin of 7.3% (Q1 2018: 6.1%) was mainly due to an increase of HK$26.8 million from continuous increase orders placed by our core customers.

8.3 Other Income

The Group's other income decreased by HK$9.0 million or 65.0%, from HK$13.8 million in Q1 2018 to HK$4.8 million in Q1 2019 was mainly due to a decrease of mold engineering income for new products relative to Q1 2018.

8.4 Selling and distribution expenses

The Group's selling and distribution expenses decreased by HK$2.8 million or 49.2%, from HK$5.8 million in Q1 2018 to HK$3.0 million in Q1 2019 was mainly due to an decrease of import & export fee in the Machine Sales business segment which classified as discontinuing operations in Q1 2019.

8.5 Administrative expenses

The Group's administrative expenses was relatively stable at $21.0 million in Q1 2018 compared to HK$20.9 million in Q1 2019.

8.6 Finance Costs

Finance costs increased by HK$2.4 million or 89.9%, from HK$2.6 million in Q1 2018 to HK$5.0 million in Q1 2019 was mainly due to increase in bank loans and lease liabilities.

8.7 Income Tax Expenses

Income tax expenses increased by HK$1.5 million or 123.2%, from HK$1.2 million in Q1 2018 to HK$2.7 million in Q1 2019 was mainly due to increase profit in the ODM/OEM business segment.

Financial position as at 31 March 2019

8.8 Non-current assets

The Group's non-current assets stood at HK$315.2 million, increased by 38.4% or HK$87.5 million, from HK$227.7 million at 31 December 2018. This was due to increase in capital expenditure on property, plant and equipment and right-of-use assets of HK$25.0 million and HK$67.0 million respectively, and also increase in other receivables of HK$11.8 million due to disposal of subsidiaries, which were partially offset by a total of depreciation expense being HK$17.5 million.

8.9 Current assets

The Group's current assets stood at HK$1,149.8 million at 31 March 2019, increased by HK$14.9 million or 1.3%, from HK$1,134.9 million at 31 December 2018, mainly due to:

- an increase in financial assets at FVTPL of HK$41.5 million;
- an increase in prepayments, deposits and other receivables of HK$260.0 million mainly due to increase on purchase deposit paid for molds and contract assets of HK$258.5 million;
- an increase in current tax assets of HK$0.9 million; and

which were offset by:

- a decrease in inventories of HK$229.0 million mainly due to revenue recognized when a performance obligation is satisfied over time by reference to the progress towards complete satisfaction;
- a decrease in bank and cash balances of HK$31.6 million; and
- a decrease in trade and bills receivables of HK$26.9 million in line with sales increase.

8.10 Current liabilities

The Group's current liabilities stood at HK$697.3 million at 31 March 2019, increased by HK$45.1 million or 6.9%, from HK$652.2 million at 31 December 2018, mainly due to:

- an increase in trade and bills payables of HK$29.7 million, mainly due to more purchase raw materials purchased in ODM/OEM segment;
- an increase in short-term borrowings of HK$27.9 million mainly due to increase in lease liabilities of HK$21.8 million; and
- an increase in current tax assets of HK$1.1 million.

which were offset by:

- a decrease in accruals and other payables of HK$13.6 million mainly due to the accruals of salary in ODM/OEM segment.

8.11 Non-current liabilities

The Group's non-current liabilities stood at HK$113.3 million at 31 March 2019, increased by HK$43.1 million or 61.4% from HK$70.2 million at 31 December 2018 mainly due to increase in lease liabilities of HK$41.2 million and financial guarantee contract liabilities of HK$3.0 million.

8.12 Statement of Cash Flows for the quarter ended 31 March 2019

As at 31 March 2019, the Group's cash resources of HK$58.2 million are considered adequate for current operational needs. The net decrease in cash and cash equivalents of HK$44.9 million held by the Group for the three months ended 31 March 2019 comprised:

- Net cash generated from operating activities of HK$8.7 million to finance the working capital needs;
- Net cash used in investing activities of HK$77.5 million mainly due to additions of property, plant and equipment and financial assets at FVTPL;
- Net cash generated from financing activities of HK$23.9 million, mainly due to the advancement 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.

With the Company's fundamentals strengthened as a result of the strategic multi-pronged corporate re-engineering, we have started to reap value-accretive returns that are expected to continue to contribute progressively to stronger performance.

Process re-engineering have lowered our costs of production. Geographical diversification and relocation to more cost-efficient and cost-effective manufacturing bases have further enhanced margins. Vertical integration at the earlier stages of product design and development have strengthened relationships with core customers who, in turn, have been working more closely with the Company, with a steady flow of repeat orders across all our manufacturing plants.

Our Indonesian plant is operating well at around 80% capacity currently, expected to ramp up to full capacity in late Q3/early Q4 when Phase 3 construction completes as scheduled in July 2019. This is expected to further enhance our core competitiveness in the market.

The Cangwu plant is also operating on schedule, with first shipment to customers completed in March.

Given the above, the Company expects stable topline contributions going forward. And we are now doing a strategic review of our organizational structure, systems and processes, in order to improve our operation and management effectiveness and efficiency.

Furthermore, we have adopted IFRS 15 and IFRS 16, which is expected to have significant impact on our results for FY2019.

Barring unforeseen circumstances, we expect the Company is well-positioned to deliver another year of satisfactory profit in FY2019 as we continue to strengthen our fundamentals and focus on better margins and yield.

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

NA.

(d) Books closure date

NA.

12. If no dividend has been declared/recommended, 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 31 March 2019.

15. Undertakings from Directors and Executive Officers under Rule 720(1)

The Company confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7 of the Listing Manual) under Rule 720(1).

16. 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 2019 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 2019