

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 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 30 June 2019

| | The Group | | | | | | | |
|-----------------------------------------------------------------|------------------------|-----------------|---------------|---------------|------------------------|-----------------|----------------|---------------|
| | 3 months ended 30 June | | | | 6 months ended 30 June | | | |
| | 2019 | 2018 | Change | % | 2019 | 2018 | Change | % |
| | HK\$'000 | HK\$'000 | HK\$'000 | | HK\$'000 | HK\$'000 | HK\$'000 | |
| Continuing Operations | | Restated | | | | Restated | | |
| Revenue | 437,348 | 394,286 | 43,062 | 10.92 | 978,869 | 705,227 | 273,642 | 38.80 |
| Cost of sales | (401,120) | (368,289) | 32,831 | 8.91 | (903,277) | (665,510) | 237,767 | 35.73 |
| Gross Profit | 36,228 | 25,997 | 10,231 | 39.35 | 75,592 | 39,717 | 35,875 | 90.33 |
| Other income | 4,769 | 5,246 | (477) | (9.09) | 9,495 | 18,799 | (9,304) | (49.49) |
| Selling and distribution expenses | (4,157) | (7,413) | (3,256) | (43.92) | (7,108) | (12,142) | (5,034) | (41.46) |
| Administrative expenses | (19,431) | (13,862) | 5,569 | 40.17 | (40,338) | (29,753) | 10,585 | 35.58 |
| Profit From Operations | 17,409 | 9,968 | 7,441 | 74.65 | 37,641 | 16,621 | 21,020 | 126.47 |
| Finance costs | (4,930) | (4,206) | 724 | 17.21 | (9,894) | (6,712) | 3,182 | 47.41 |
| Profit Before Tax | 12,479 | 5,762 | 6,717 | 116.57 | 27,747 | 9,909 | 17,838 | 180.02 |
| Income tax expenses | (868) | (1,396) | (528) | (37.82) | (3,609) | (1,619) | 1,990 | 122.92 |
| Profit for the period from continuing operations | 11,611 | 4,366 | 7,245 | 165.94 | 24,138 | 8,290 | 15,848 | 191.17 |
| Discontinuing Operations^{#1} | | | | | | | | |
| Profit(loss) for the period from discontinuing operations | - | 1,254 | (1,254) | N.M. | (2,668) | 2,006 | (4,674) | (230.0) |
| Profit for the period | 11,611 | 5,620 | 5,991 | 106.60 | 21,470 | 10,296 | 11,174 | 108.53 |
| Attributable to: | | | | | | | | |
| Owners of the Company | 11,611 | 5,023 | 6,588 | 131.16 | 24,622 | 9,531 | 15,091 | 158.34 |
| Non-controlling interests | - | 597 | (597) | N.M. | (3,152) | 765 | (3,917) | N.M. |
| | 11,611 | 5,620 | 5,991 | 106.60 | 21,470 | 10,296 | 11,174 | 108.53 |
| Profit attributable to owners of the company relates to: | | | | | | | | |
| Continuing Operations | 11,611 | 4,271 | 7,340 | 171.86 | 24,527 | 8,327 | 16,200 | 194.55 |
| Discontinuing Operations | - | 752 | (752) | N.M. | 95 | 1,204 | (1,109) | N.M. |
| | 11,611 | 5,023 | 6,588 | 131.16 | 24,622 | 9,531 | 15,091 | 158.34 |

#1 - The disposal of Machine Sales (Discontinued operations) was completed on 30 March 2019. The Group has ceased to recognize the financial results of the Machine Sales from the date of completion onwards.

*N.M. - Not Meaningful

| | The Group | | | | | | | |
|-------------------------------------------------------------------|------------------------|----------|----------|------|------------------------|----------|----------|----------|
| | 3 months ended 30 June | | | | 6 months ended 30 June | | | |
| | 2019 | 2018 | Change | % | 2019 | 2018 | Change | % |
| | HK\$'000 | HK\$'000 | HK\$'000 | | HK\$'000 | HK\$'000 | HK\$'000 | |
| Results of discontinued operations | | | | | | | | |
| Revenue | - | 48,132 | N.M. | N.M. | 19,075 | 91,487 | (72,412) | (79.15) |
| Cost of sales | - | (40,540) | N.M. | N.M. | (16,210) | (76,105) | (59,895) | (78.70) |
| Gross Profit | - | 7,592 | N.M. | N.M. | 2,865 | 15,382 | (12,517) | (81.37) |
| Other income | - | 332 | N.M. | N.M. | 16 | 551 | (535) | (97.10) |
| Selling and distribution expenses | - | (1,622) | N.M. | N.M. | (974) | (2,704) | (1,730) | (63.98) |
| Administrative expenses | - | (4,850) | N.M. | N.M. | (4,531) | (9,912) | (5,381) | (54.29) |
| Profit/(loss) from Operations | - | 1,452 | N.M. | N.M. | (2,624) | 3,317 | (5,941) | (179.10) |
| Finance costs | - | (103) | N.M. | N.M. | (139) | (211) | (72) | (34.12) |
| Profit/(loss) Before Tax | - | 1,349 | N.M. | N.M. | (2,763) | 3,106 | (5,869) | (188.95) |
| Income tax expenses | - | (95) | N.M. | N.M. | - | (1,100) | (1,100) | (100.00) |
| Operating gain/(loss) of discontinued operations | - | 1,254 | N.M. | N.M. | (2,763) | 2,006 | (4,769) | (237.74) |
| Gain on disposal of subsidiaries for the Group | - | - | - | - | 95 | - | (95) | N.M. |
| Profit/ (loss) for the period from discontinued operations | - | 1,254 | (1,254) | N.M. | (2,668) | 2,006 | (4,674) | (233.00) |

1(a)(ii) Statement of Profit or Loss and other Comprehensive Income for the quarter ended 30 June 2019

| | The Group | | | | | | | |
|----------------------------------------------------------------------------|------------------------|----------------|----------------|-----------------|------------------------|---------------|----------------|----------------|
| | 3 months ended 30 June | | | | 6 months ended 30 June | | | |
| | 2019 | 2018 | Change | % | 2019 | 2018 | Change | % |
| | HK\$'000 | HK\$'000 | HK\$'000 | | HK\$'000 | HK\$'000 | HK\$'000 | |
| Profit for the period | 11,611 | 5,620 | 5,991 | 106.60 | 21,470 | 10,296 | 11,174 | 108.53 |
| Other comprehensive income | | | | | | | | |
| Exchange difference on translating foreign operations | (11,595) | (7,708) | 3,887 | 50.43 | 2,566 | 4,000 | (1,434) | (35.85) |
| Reclassification adjustments foreign operations disposed during the period | - | - | - | - | (532) | - | (532) | N.M. |
| Other comprehensive income for the period, net of tax | (11,595) | (7,708) | 3,887 | 50.43 | 2,034 | 4,000 | (1,966) | (49.15) |
| Total comprehensive income for the period | 16 | (2,088) | (2,104) | (100.77) | 23,504 | 14,296 | 9,208 | 64.41 |
| Attributable to: | | | | | | | | |
| Owners of the Company | 16 | (2,685) | (2,701) | (100.60) | 26,720 | 13,531 | 13,189 | 97.47 |
| Non-controlling interests | - | 597 | (597) | N.M. | (3,216) | 765 | (3,981) | (520.39) |
| | 16 | (2,088) | (2,104) | (100.77) | 23,504 | 14,296 | 9,208 | 64.41 |

Note:

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

| | 3 months ended 30 June | | 6 months ended 30 June | |
|----------------------------------------------------------|------------------------|----------|------------------------|----------|
| | 2019 | 2018 | 2019 | 2018 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | Restated | | Restated |
| Depreciation | 16,318 | 11,920 | 33,797 | 24,385 |
| Interest income | (32) | (16) | (123) | (31) |
| Interest on bank loans, overdrafts and lease liabilities | 4,930 | 4,206 | 9,894 | 6,712 |
| Recognition of financial guarantee contract liabilities | - | - | 3,000 | - |
| Exchange difference, net | 1,292 | (394) | 2,772 | (217) |

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 30.06.2019 | At 31.12.2018 | At 30.06.2019 | At 31.12.2018 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Non-current assets | | | | |
| Property, plant and equipment | 300,267 | 225,769 | - | - |
| Investments in subsidiaries | - | - | 461,263 | 461,263 |
| Other receivables | 11,833 | - | 11,833 | - |
| Goodwill | 1,927 | 1,927 | - | - |
| | 314,027 | 227,696 | 473,096 | 461,263 |
| Current assets | | | | |
| Inventories | 310,113 | 590,787 | - | - |
| Trade and bills receivables | 232,322 | 217,189 | - | - |
| Prepayments, deposits and other receivables | 459,155 | 157,254 | 3,000 | - |
| Current tax assets | 1,103 | 1,753 | - | - |
| Financial assets at fair value through profit or loss ("FVTPL") | 121,279 | 78,055 | - | - |
| Bank and cash balances | 51,962 | 89,872 | 1,125 | 1,125 |
| | 1,175,934 | 1,134,910 | 4,125 | 1,125 |
| Total assets | 1,489,961 | 1,362,606 | 477,221 | 462,388 |
| Current liabilities | | | | |
| Trade and bills payables | 273,831 | 209,573 | - | - |
| Accruals and other payables | 153,002 | 174,373 | - | - |
| Amount due to a subsidiary | - | - | 11,319 | 11,319 |
| Short-term loans and borrowings | 290,167 | 261,985 | - | - |
| Current tax liabilities | 9,400 | 6,259 | - | - |
| | 726,400 | 652,190 | 11,319 | 11,319 |
| Non-current liabilities | | | | |
| Long-term loans and borrowings | 104,509 | 67,500 | - | - |
| Financial guarantee contract liabilities | 2,000 | - | - | - |
| Deferred tax liabilities | 2,650 | 2,650 | - | - |
| | 109,159 | 70,150 | - | - |
| Total liabilities | 835,559 | 722,340 | 11,319 | 11,319 |
| Equity attributable to owners of the Company | | | | |
| Share capital | 242,456 | 242,456 | 242,456 | 242,456 |
| Reserves | 411,946 | 386,765 | 223,446 | 208,613 |
| | 654,402 | 629,221 | 465,902 | 451,069 |
| Non-controlling interests | - | 11,045 | - | - |
| Total equity | 654,402 | 640,266 | 465,902 | 451,069 |
| Total liabilities and equity | 1,489,961 | 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 30 June 2019 | As at 31 December 2018 |
|--------------------|------------------------|
| Secured | Secured |
| HK\$'000 | HK\$'000 |
| 270,945 | 261,985 |

Amount repayable after one year

| As at 30 June 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 | | The Group | |
|-------------------------------------------------------------------|---------------------------|------------------|---------------------------|------------------|
| | 3 months ended 30 June | | 6 months ended 30 June | |
| | 2019 | 2018 | 2019 | 2018 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Cash flows from operating activities | | | | |
| Profit / (loss) before tax | | | | |
| Continuing operations | 12,479 | 5,762 | 27,842 | 9,909 |
| Discontinued operations | - | 1,349 | (2,763) | 3,106 |
| | 12,479 | 7,111 | 25,079 | 13,015 |
| Adjustments for : | | | | |
| Recognition of financial guarantee contract liabilities | - | - | 3,000 | - |
| Depreciation | 16,318 | 12,086 | 33,797 | 24,706 |
| Interest income | (32) | (21) | (123) | (38) |
| Finance costs | 4,930 | 4,309 | 9,894 | 6,923 |
| Gain on disposal of subsidiaries | - | - | (95) | - |
| Operating profit before working capital changes | 33,695 | 23,485 | 71,552 | 44,606 |
| Decrease / (increase) in inventories | 51,657 | (24,717) | (3,359) | (59,047) |
| (Increase) / decrease in trade and bills receivables | (42,012) | 19,655 | (17,141) | (24,637) |
| Increase in prepayments, deposits and other receivables | (41,916) | (12,420) | (68,117) | (59,261) |
| Increase in trade and bills payables | 34,517 | 38,070 | 69,298 | 12,371 |
| (Decrease) / increase in accruals and other payables | (7,688) | 160,883 | (9,005) | 173,318 |
| Cash generated from operations | 28,253 | 204,956 | 43,228 | 87,350 |
| Interest paid | (4,581) | (4,309) | (8,878) | (6,923) |
| Income tax refund / (paid) | 3,627 | (3,748) | 1,620 | (5,060) |
| Net cash generated from operating activities | 27,299 | 196,899 | 35,970 | 75,367 |
| Cash flows from investing activities | | | | |
| Decrease in restricted bank balance | - | (130,042) | - | (130,042) |
| Purchase of property, plant and equipment | (16,972) | (11,936) | (41,984) | (15,344) |
| Purchase of financial assets at FVTPL | (1,683) | - | (43,224) | - |
| Net cash outflow from disposal of a subsidiaries | - | - | (10,998) | - |
| Interest received | 32 | 21 | 123 | 38 |
| Net cash used in investing activities | (18,623) | (141,957) | (96,083) | (145,348) |
| Cash flows from financing activities | | | | |
| Repayment of term loans | (2,667) | - | (2,667) | - |
| Acquisition of non-controlling interests | - | - | (1,219) | - |
| Payment of lease liabilities | (7,141) | - | (13,935) | - |
| Net advancement / (repayment) of trust receipt and import loans | 5,486 | (21,464) | 37,399 | 92,652 |
| Net cash generated from financing activities | (4,322) | (21,464) | 19,578 | 92,652 |
| Net increase / (decrease) in cash and cash equivalents | 4,354 | 33,478 | (40,535) | 22,671 |
| Cash and cash equivalents at beginning of the period | 58,230 | 74,255 | 89,872 | 73,064 |
| Net effect of exchange rate changes in consolidating subsidiaries | (10,622) | (9,047) | 2,625 | 2,951 |
| Cash and cash equivalents at end of the period | 51,962 | 98,686 | 51,962 | 98,686 |

| | 3 months ended 30 June | | 6 months ended 30 June | |
|------------------------------------------------------------------------------------------|---------------------------|------------------|---------------------------|------------------|
| | 2019 HK\$'000 | 2018 HK\$'000 | 2019 HK\$'000 | 2018 HK\$'000 |
| Profit/ (loss) for the period from discontinued operations include the following: | | | | |
| Depreciation | - | 166 | 151 | 321 |
| Interest income | - | (5) | (3) | (7) |
| Interest on bank loans, overdrafts and lease liabilities | - | 103 | 139 | 211 |
| Exchange difference, net | - | (35) | (174) | 836 |
| | | | | |
| Cash flow from discontinued operations: | | | | |
| Net cash inflows/(outflows) from operating activities | - | 12,255 | (11,561) | 11,032 |
| Net cash inflows from investing activities | - | 5 | 3 | 7 |
| Net cash (outflows)/inflows from financing activities | - | (8,173) | 16,832 | (2,487) |
| | | | | |
| Net cash inflow | - | 4,087 | 5,274 | 8,552 |
| | | | | |

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 | | | | | | | Non-controlling interests | Total |
|----------------------------------------------|-------------------------------------------|---------------|-------------------|----------------------------|---------------------|-------------------|----------------|---------------------------|----------------|
| | Share capital | Share premium | Statutory reserve | Capital redemption reserve | Translation reserve | Retained earnings | Subtotal | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | | |
| At 1 January 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) |
| Restated 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 | - | - | - | - | 2,098 | 24,622 | 26,720 | (3,216) | 23,504 |
| Acquisition of non-controlling interests | - | - | - | - | - | (353) | (353) | (866) | (1,219) |
| Disposal of subsidiaries | - | - | - | - | - | - | - | (6,963) | (6,963) |
| At 30 June 2019 | 242,456 | 26,488 | 2,033 | 1,665 | (2,790) | 384,550 | 654,402 | - | 654,402 |
| 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 | - | - | - | - | 4,000 | 9,531 | 13,531 | 765 | 14,296 |
| At 30 June 2018 | 242,456 | 26,488 | 2,033 | 1,665 | 10,627 | 318,251 | 601,520 | 11,942 | 613,462 |

| 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 30 June 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 30 June 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 30 June 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 30 June 2019, the Company did not buy back any share of the Company by the way of market acquisition and cancelled.

As at 30 June 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 |
|------------------|----------------------------------|
| 30 June 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 30 June 2019, the Company did not buy back any share of the Company by the way of market acquisition and cancelled.

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

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

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

Not applicable.

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

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 (Q2 2019 –HK\$54.2 million included in property, plant and equipment) and lease liabilities increased by HK\$36.3 million (Q2 2019 – HK\$56.2 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.

| | The Group | | | |
|-----------------------------------------------------------------------------------|-------------------------------|----------|-----------------------------|----------|
| | Three months ended 30 June | | Six months ended 30 June | |
| | 2019 | 2018 | 2019 | 2018 |
| | HK cents | HK cents | HK cents | HK cents |
| | | Restated | | Restated |
| 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 | | | | |
| Continuing operations | 35.92 | 13.21 | 75.87 | 25.76 |
| Discontinued operations | - | 2.33 | 0.29 | 3.72 |
| Total | 35.92 | 15.54 | 76.16 | 29.48 |
| (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 for continuing operations and discontinued operations of approximately HK\$11,611,000 (Q2 2018: HK\$4,271,000) and approximately HK\$0 (Q2 2018: HK\$752,000), respectively by the weighted average number of ordinary shares in issue of 32,327,400 (Q2 2018: 32,327,400) during the Q2 2019 period.

Basic earnings per share is calculated by dividing the profit for continuing operations and discontinued operations attributable to owners of the Company of approximately HK\$24,527,000 (HY 2018: HK\$8,327,000) and HK\$95,000 (Q2 2018: HK\$1,204,000), respectively by the weighted average number of ordinary shares in issue of 32,327,400 (HY 2018: 32,327,400) during the HY 2019 period.

No diluted earnings per share are presented as the Group did not have any dilutive potential shares for the Q2 2019 and Q2 2018 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 | |
|------------------------------------------------------------------------------------------|------------|------------|-------------|------------|
| | 30/06/2019 | 31/12/2018 | 30/06/2019 | 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 |
| Number of ordinary shares in issue | 32,327,400 | 32,327,400 | 32,327,400 | 32,327,400 |

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

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\$43.0 million or 10.9%, from HK\$394.3 million in Q2 2018 (Restated) to HK\$437.3 million in Q2 2019 mainly due to continuous orders placed by our core customers and the goods delivered as scheduled for this period.

8.2 Gross profit and gross profit margin

In Q2 2019, the Group's gross profit increased by 39.4% or HK\$10.2 million, generating gross profit margin of 8.3% (Q2 2018 (Restated): 6.6%) mainly due to growth sales and continuous effort on productivity enhancement.

8.3 Other Income

The Group's other income decreased by HK\$0.4 million or 9.1%, from HK\$5.2 million in Q2 2018 (Restated) to HK\$4.8 million in Q2 2019 mainly due to a decrease in mould engineering income for new products.

8.4 Selling and distribution expenses

The Group's selling and distribution expenses decreased by HK\$3.3 million or 43.9%, from HK\$7.4 million in Q2 2018 (Restated) to HK\$4.1 million in Q2 2019 mainly due to a decrease in transportation expenses.

8.5 Administrative expenses

The Group's administrative expenses increased by HK\$5.5 million or 40.2%, from HK\$13.9 million in Q2 2018 (Restated) to HK\$19.4 million in Q2 2019, mainly due to the increase of salaries amounting to HK\$1.9 million and HK\$1.7 million of exchange loss mainly due to translational losses arising on depreciation of the RMB against HKD in Q2 2019..

8.6 Finance Costs

Finance costs increased by HK\$0.7 million or 17.2%, from HK\$4.2 million in Q2 2018 (Restated) to HK\$4.9 million in Q2 2019 mainly due to an increase in bank loans and lease liabilities.

8.7 Income Tax Expenses

Income tax expenses decreased by HK\$0.5 million or 37.8%, from HK\$1.4 million in Q2 2018 (Restated) to HK\$0.9 million in Q2 2019 mainly due to the difference in the recognition of profits for taxation and for financial accounting purposes.

Financial position as at 30 June 2019

8.8 Non-current assets

The Group's non-current assets stood at HK\$314.0 million as at 30 June 2019, increasing by 37.9% or HK\$86.3 million, from HK\$227.7 million at 31 December 2018. This was due to (i) an increase in capital expenditure on property, plant and equipment and right-of-use assets of HK\$41.3 million and HK\$67.0 million respectively, (ii) an increase in other receivables of HK\$11.8 million due to disposal of subsidiaries, which were partially offset by a total of depreciation expense of HK\$33.8 million.

8.9 Current assets

The Group's current assets stood at HK\$1,175.9 million at 30 June 2019, increasing by HK\$41.0 million or 3.6%, from HK\$1,134.9 million at 31 December 2018, mainly due to:

- an increase in financial assets at FVTPL of HK\$43.2 million;
- an increase in prepayments, deposits and other receivables of HK\$301.9 million mainly due to an increase in purchase deposit paid for molds and contract assets of HK\$327.5 million; and
- an increase in trade and bills receivables of HK\$15.1 million in line with sales increase.

which were offset by:

- a decrease in current tax assets of HK\$0.6 million;
- a decrease in inventories of HK\$280.7 million mainly due to implementation of IFRS 15 as explained in Paragraph 5; and
- a decrease in bank and cash balances of HK\$37.9 million.

8.10 Current liabilities

The Group's current liabilities stood at HK\$726.4 million at 30 June 2019, increasing by HK\$74.2 million or 11.4%, from HK\$652.2 million at 31 December 2018, mainly due to:

- an increase in trade and bills payables of HK\$64.3 million, mainly due to more raw materials purchased in ODM/OEM segment;
- an increase in short-term borrowings of HK\$28.2 million mainly due to increase in lease liabilities of HK\$19.2 million; and
- an increase in current tax assets of HK\$3.1 million,

which were offset by:

- a decrease in accruals and other payables of HK\$21.4 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\$109.2 million at 30 June 2019, increasing by HK\$39.0 million or 55.6% from HK\$70.2 million at 31 December 2018 mainly due to increase in lease liabilities of HK\$36.0 million and financial guarantee contract liabilities of HK\$3.0 million.

8.12 Statement of Cash Flows for the quarter ended 30 June 2019

As at 30 June 2019, the Group's cash resources of HK\$52.0 million are considered adequate for current operational needs. The net decrease in cash and cash equivalents of HK\$40.5 million held by the Group comprised:

- Net cash generated from operating activities of HK\$36.0 million to finance the working capital needs;
- Net cash used in investing activities of HK\$96.1 million mainly due to additions of property, plant and equipment and financial assets as FVTPL;
- Net cash generated from financing activities of HK\$19.6 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.

The Company's strategic plan to diversify geographically and relocate to achieve higher cost effectiveness and efficiencies continues as scheduled in Sragen Indonesia and Cangwu PRC. Concurrently, the Company continues to implement multi-pronged corporate re-engineering initiatives. Consequently, the Company expects to reap value-accretive returns that are designed to enhance margins.

Meanwhile, the Company has leased new factory premises in Dongguan, to serve as our new head-office and R&D/ Engineering Centre. Renovation of the new head office has commenced and is scheduled to be completed in Q4 2019.

The current order book is satisfactory, with stable orders from our customers, more of which is expected to be fulfilled by our Indonesian plant.

Given the above, we expect to enjoy enhanced margins this year. Barring unforeseen circumstances, we expect the Company to deliver another year of satisfactory profit in FY2019.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No. The Board has not recommended any dividend to be declared in light of the following:

- (i) the Company has recently declared a final dividend for the financial year ended 31 December 2018, the payment of which has been completed on 22 May 2019; and
- (ii) whilst the Board will not entirely rule out the declaration of interim dividends during a financial year, the Board is of the view that in the normal course, it would be prudent to consider whether to declare dividends only after the Company has full visibility of its performance for the preceding financial year and the Group's cash requirements for the ensuing year.

(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 30 June 2019.

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

The Company confirms that it has procured undertaking 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 6 months financial period ended 30 June 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

14 August 2019