COMBINE WILL INTERNATIONAL HOLDINGS LIMITED
聯志國際控股有限公司
(Incorporated in the Cayman Islands on 8 October 2007)
Company Registration No. MC-196613

ANNOUNCEMENT OF FINANCIAL STATEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2013 ("THE Q2 2013 RESULTS ANNOUNCEMENT")

- **QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE "SGX-ST")**

The board of directors of Combine Will International Holdings Limited (the "**Company**") refers to the Q2 2013 Results Announcement released on 13 August 2013.

In relation to the Q2 2013 Results Announcement, the SGX-ST has raised certain queries and the Company's responses to the said queries are set out against each of them:

1. *On page 1 of the Announcement, you have reported that despite the Company's revenue declining by 26% to HK$280.9 million, administrative expenses increased by 9% to HK$26.6 million. As this is significant to the Company's loss from operations amounting to HK$24.2 million, please provide a breakdown of the material items in administrative expenses and explain the reasons for the significant expenses.*

   Company's response:

   The breakdown of the material items in administrative expenses is as follows:

	HKD (million)
Salaries and staff welfares	13.2
Directors' fee	1.3
Legal and professional fees	3.4
Handling charges	3.5
Vehicles and travelling expenses	3.7
General office supplies	1.0
Depreciation	1.2
Exchange gain	-3.5
Others (individual item amount less than HKD 1 million)	3.1
	26.9

   The increase in administrative expenses was mainly due to the increase in incentive and bonus payments to our employees for recognition of their long-term services in Q2 2013 compared to the same period last year in Q2 2012, as most of these payments were one-off payments. It has been the usual practice of the Group to give out such incentive payments.

   The Group wishes to highlight that despite the comparative increase in incentive payments for Q2 2013 as compared to Q2 2012, the accumulative administrative expenses for the sixmonth period ended 30 Jun 2013 ("**6M 2013**") compared to the same period last year for 6M 2012 had decreased by 5.5% as a result of the Group's cost control efforts.

2. *On page 4 of the Announcement, you have reported that the aggregate amount of the group's borrowings that is repayable in one year or less, or on demand increased by 283% to HK$1,165.2 million as at 30 June 2013 from HK$304.3 million as at 31 December 2012. To provide breakdown and details on the HK$1,165.2 million group borrowing, including the structure, tenure and use of proceeds of a new term loan of HK$497.5 million.*

   Company's response:

   The HK$1,165.2 million group borrowing comprises of the following:

	HKD (million)
Term loans	747.5
Short-term borrowings	370.4
Current portion of long-term borrowings	47.3
Total	1,165.2

   The Group secured a new term loan of HK$497.5 million from various banks. The structure of the new loan involves borrowing in HKD and depositing the same amount in RMB to earn the interest spread so that the Group is able to minimize its losses from foreign exchange fluctuations. The Group's total HKD term loans and RMB deposits as of 30 June 2013 are HK$747.5 million and HK$753.6 million respectively. These are repayable within 12 months from January 2014 to May 2014.

   The short-term borrowings of HK$370.4 million are for the purposes of financing the Group's working capital needs. The current portion of the long-term borrowings of HK$47.3 million is to finance the Group's capital expenditure. These short-term and current portion of long-term borrowings are to be repaid on or before 30 June 2014.

3. *On page 10 of the Announcement, you have reported that the gross profit for the ODM/OEM and Moulds and Tooling segments fell 132.1% and 110.9% respectively. Please set out the main factors which resulted in the higher unit cost of sales and declining gross profit margin.*

   Company's response:

   The higher unit cost of sales and declining profit gross margin were mainly due to the following factors:

   (i) the uncertain economic outlook which lead to a softening of customer demand, resulting in the fixed portion of the company's fixed and semi-fixed variable overheads taking up a higher portion of product costs; and

   (ii) the price sensitivity of customer demand, leading to the implementation of competitive pricing measures in order to secure more customer orders.

4. *On page 10 of the Announcement, you have reported that "The Group's other income decreased by HK$1.2 million or 13.0% from HK$9.4 million in Q2 2012 to HK$8.2 million in Q2 2013 mainly due to a decrease in Mould Engineering Income from the ODM/OEM business segment, offset by an increase in interest income from RMB related deposits". Please explain why is "Mould Engineering Income" classified under "Other Income".*

Company's response:

"Mould Engineering Income" refers to the income earned from customer contracts which stipulate that our customers provide the necessary moulds for use in our ODM/OEM production, while the Group provides technical support and works directly with the moulds manufacturers so as to produce moulds which satisfy our customers' requirements and our production needs.

In accordance with the Generally Accepted Accounting Principles, as such income is not earned in the course of our normal business operations in the ODM/OEM segment, the Group has classified such income under "Other Income".

By Order of the Board

Chiu Hau Shun, Simon
Executive Director

2 September 2013