

Combine Will International Holdings Limited

(Incorporated in Cayman Islands)

(Co. Reg. No: MC-196613)

FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE HALF YEAR AND SIX MONTHS ENDED 30 JUNE 2020**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF 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 half-year ended 30 June 2020**

	The Group			
	6 months ended 30 June			
	2020	2019	Change	%
	HK\$'000	HK\$'000	HK\$'000	
Continuing Operations				
Revenue	491,886	978,869	(486,983)	(49.75)
Cost of sales	(462,077)	(903,277)	(441,200)	(48.84)
Gross Profit	29,809	75,592	(45,783)	(60.57)
Other income	20,692	9,495	11,197	117.93
Selling and distribution expenses	(5,202)	(7,108)	(1,906)	(26.81)
Administrative expenses	(26,189)	(40,338)	(14,149)	(35.08)
Profit From Operations	19,110	37,641	(18,531)	(49.23)
Finance costs	(10,969)	(9,894)	1,075	10.87
Profit Before Tax	8,141	27,747	(19,606)	(70.66)
Income tax expenses	(513)	(3,609)	(3,096)	(85.79)
Profit for the period from continuing operations	7,628	24,138	(16,510)	(68.40)
Discontinued Operations				
Loss for the period from discontinued operations	-	(2,668)	(2,668)	N.M.
Profit for the period	7,628	21,470	(13,842)	(64.47)
Attributable to:				
Owners of the Company	7,628	24,622	(16,994)	(69.02)
Non-controlling interests	-	(3,152)	3,152	N.M.
	7,628	21,470	(13,842)	(64.47)
Profit attributable to owners of the company relates to:				
Continuing Operations	7,628	24,527	(16,899)	(68.90)
Discontinued Operations	-	95	(95)	N.M.
	7,628	24,622	(16,994)	(69.02)

*N.M. - Not Meaningful & Result of discontinued operations

1(a)(ii) Statement of Profit or Loss and other Comprehensive Income for the half-year ended 30 June 2020

	The Group			
	6 months ended 30 June			
	2020	2019	Change	%
	HK\$'000	HK\$'000	HK\$'000	
Profit for the period	7,628	21,470	(13,842)	(64.47)
Other comprehensive income				
Exchange difference on translating foreign operations	(4,103)	2,566	(6,669)	(259.90)
Reclassification adjustments foreign operations disposed during the period	-	(532)	532	N.M.
Other comprehensive income for the period, net of tax	(4,103)	2,034	(6,137)	(301.72)
Total comprehensive income for the period	3,525	23,504	(19,979)	(85.00)
Attributable to:				
Owners of the Company	3,525	26,720	(23,195)	(86.81)
Non-controlling interests	-	(3,216)	3,216	N.M.
	3,525	23,504	(19,979)	(85.00)

Note:

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

	6 months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Depreciation on property, plant and equipment	27,700	20,025
Depreciation on right-of-use assets	16,718	13,772
Gain on deregistered of a subsidiary	(1,422)	-
Gain on disposal of subsidiaries	-	(95)
Fair value movement on fair value through profit or loss ("FVTPL")	(2,358)	-
Interest income	(302)	(123)
Interest on bank loans, overdrafts and lease liabilities	10,969	9,894
Recognition of financial guarantee contract liabilities	-	3,000
Exchange difference, net	(891)	2,772

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 30.06.2020	At 31.12.2019	At 30.06.2020	At 31.12.2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Property, plant and equipment	347,967	304,469	-	-
Right-of-use assets	80,262	96,002	-	-
Financial assets at fair value through other comprehensive income ("FVTOCI")	869	369	-	-
Investments in subsidiaries	-	-	450,761	450,761
Other receivables	8,833	11,833	8,833	11,833
Goodwill	1,927	1,927	-	-
	439,858	414,600	459,594	462,594
Current assets				
Inventories	67,720	131,395	-	-
Trade and bills receivables	191,624	220,107	-	-
Prepayments, deposits and other receivables	133,091	132,471	3,000	3,000
Contract assets	493,444	430,681	-	-
Current tax assets	4,004	1,224	-	-
Financial assets at FVTPL	121,139	120,342	-	-
Bank and cash balances	65,380	100,485	1,189	1,189
	1,076,402	1,136,705	4,189	4,189
Total assets	1,516,260	1,551,305	463,783	466,783
Current liabilities				
Trade and bills payables	150,936	184,098	-	-
Accruals and other payables	178,727	173,546	-	-
Lease liabilities	18,132	25,157	-	-
Amount due to a subsidiary	-	-	17,638	20,638
Short-term loans and borrowings	396,983	375,238	-	-
Financial guarantee contracts	2,558	2,558	8,059	8,059
Current tax liabilities	7,914	12,435	-	-
	755,250	773,032	25,697	28,697
Non-current liabilities				
Long-term loans and borrowings	42,251	56,626	-	-
Lease liabilities	42,275	48,688	-	-
Deferred tax liabilities	2,650	2,650	-	-
	87,176	107,964	-	-
Total liabilities	842,426	880,996	25,697	28,697
Equity attributable to owners of the Company				
Share capital	242,456	242,456	242,456	242,456
Reserves	431,378	427,853	195,630	195,630
Total equity	673,834	670,309	438,086	438,086
Total liabilities and equity	1,516,260	1,551,305	463,783	466,783

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 2020	As at 31 December 2019
Secured	Secured
HK\$'000	HK\$'000
396,983	375,238

Amount repayable after one year

As at 30 June 2020	As at 31 December 2019
Secured	Secured
HK\$'000	HK\$'000
42,251	56,626

Details of collaterals

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

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	
	6 months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
Cash flows from operating activities		
Profit / (loss) before tax		
Continuing operations	8,141	27,842
Discontinued operations	-	(2,763)
	8,141	25,079
Adjustments for :		
Recognition of financial guarantee contract liabilities	-	3,000
Depreciation on property, plant and equipment	27,700	20,025
Depreciation on right-of-use assets	16,718	13,772
Gain on deregistered of a subsidiary	(1,422)	-
Gain on disposal of subsidiaries	-	(95)
Loss on disposal of property, plant and equipment	314	-
Fair value movement on FVTPL	(2,358)	-
Interest income	(302)	(123)
Finance costs	10,969	9,894
Operating profit before working capital changes	59,760	71,552
Decrease / (increase) in inventories	63,675	(3,359)
Decrease / (increase) in trade and bills receivables	28,483	(17,141)
Increase in contract assets	(62,763)	-
Increase in prepayments, deposits and other receivables	(369)	(68,117)
(Decrease) / increase in trade and bills payables	(33,162)	69,298
Increase / (decrease) in accruals and other payables	5,181	(9,005)
Cash generated from operations	60,805	43,228
Interest paid	(9,016)	(8,878)
Interest on lease liabilities	(1,953)	-
Income tax (paid) / refund	(7,814)	1,620
Net cash generated from operating activities	42,022	35,970
Cash flows from investing activities		
Purchase of property, plant and equipment	(69,154)	(41,984)
Purchase of financial assets at FVTPL	-	(43,224)
Receipt of other receivables	3,000	-
Net cash outflow from disposal of a subsidiaries	-	(10,998)
Purchase of financial assets at FVTOCI	(500)	-
Interest received	44	123
Net cash used in investing activities	(66,610)	(96,083)
Cash flows from financing activities		
Inception of new short-term bank loans	44,000	-
Repayment of term loans	(2,000)	(2,667)
Repayment of long term borrowings	(13,000)	-
Acquisition of non-controlling interests	-	(1,219)
Payment of lease liabilities	(13,646)	(13,935)
Net (repayment) / advancement of trust receipt and import loans	(21,630)	37,399
Net cash used in financing activities	(6,276)	19,578
Net decrease in cash and cash equivalents	(30,864)	(40,535)
Cash and cash equivalents at beginning of the period	100,485	89,872
Net effect of exchange rate changes in consolidating subsidiaries	(4,241)	2,625
Cash and cash equivalents at end of the period	65,380	51,962

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	Financial assets at FVTOCI reserve	Translation reserve	Retained earnings	Subtotal		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2020	242,456	26,488	2,033	1,665	(631)	(6,666)	404,964	670,309	-	670,309
Total comprehensive income for the year	-	-	-	-	-	(4,103)	7,628	3,525	-	3,525
At 30 June 2020	242,456	26,488	2,033	1,665	(631)	(10,769)	412,592	673,834	-	673,834
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

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 2020	242,456	26,488	130,205	1,665	37,272	438,086
Total comprehensive income for the year	-	-	-	-	-	-
At 30 June 2020	242,456	26,488	130,205	1,665	37,272	438,086
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

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 six months ended 30 June 2020, the Company did not allot nor issue any shares, nor grant any share options under the Employee Share Option Scheme.

During the six months ended 30 June 2020, the Company did not buy back any share of the Company by the way of market acquisition and by share cancellation.

As at 30 June 2020 and 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 2020	32,327,400
31 December 2019	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 six months ended 30 June 2020, the Company did not buy back any share of the Company by the way of market acquisition and by share cancellation.

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 2019.

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 2020. 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	
	Six months ended 30 June	
	2020	2019
	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	23.60	76.16
(b) On a fully diluted basis	N/A	N/A

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of approximately HK\$7,628,000 (HY 2019: HK\$24,622,000) by the weighted average number of ordinary shares in issue of 32,327,400 (HY 2019: 32,327,400) during the HY 2020 period.

No diluted earnings per share are presented as the Group did not have any dilutive potential shares for the HY 2020 and HY 2019 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	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
	HK\$	HK\$	HK\$	HK\$
Net asset value per ordinary share based on issued share capital at the end of the year:	20.84	20.74	13.55	13.55
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.**

8.1 Revenue

The Group's overall revenue decreased by HK\$487.0 million or 49.8%, from HK\$978.9 million in HY 2019 to HK\$491.9 million in HY 2020 mainly due to decline of economic activities across the global as a result of COVID-19 outbreak and regional lock-down in 2020, resulting in deferred resume of supply-chain, logistics and production.

8.2 Gross profit and gross profit margin

In HY 2020, the Group's gross profit decreased by 60.6% or HK\$45.8 million, generating gross profit margin of 6.1% (HY 2019: 7.7%) which was in line with revenue decline. The group's continuing focus on productivity enhancement and municipal policies on government grant in PRC have smoothed the impacts resulted from COVID-19.

8.3 Other Income

The Group's other income increased by HK\$11.2 million or 117.9%, from HK\$9.5 million in HY 2019 to HK\$20.7 million in HY 2020 mainly due to an increase of investment income, an increase in mold engineering income for new products and gain on deregistered of a subsidiary.

8.4 Selling and distribution expenses

The Group's selling and distribution expenses decreased by HK\$1.9 million or 26.8%, from HK\$7.1 million in HY 2019 to HK\$5.2 million in HY 2020 mainly due to a decrease of transportation expenses in line with revenue decline.

8.5 Administrative expenses

The Group's administrative expenses decreased by HK\$14.1 million or 35.1%, from HK\$40.3 million in HY 2019 to HK\$26.2 million in HY 2020 mainly due to a decrease of exchange loss of HK\$3.7 million, a decrease in bonus payments of HK\$3.1 million and a decrease of HK\$3.0 in recognition of the fair value in financial guarantee which the Group recognized at a one-off basis in HY 2019. In HY 2020, there were no recognition of such changes as the effect of fair value changed in financial guarantee is minimal.

8.6 Finance Costs

Finance costs increased by HK\$1.1 million or 10.9%, from HK\$9.9 million in HY 2019 to HK\$11.0 million in HY 2020 mainly due to increase in bank loans.

8.7 Income Tax Expenses

Income tax expense decrease of HK\$3.1 million or 85.8%, from HK\$3.6 million in HY 2019 to HK\$0.5 million in HY 2020 mainly due to decline in profit during the period.

Financial position as at 30 June 2020

8.8 Non-current assets

The Group's non-current assets stood at HK\$439.9 million as at 30 June 2020, increased by 6.1% or HK\$25.3 million, from HK\$414.6 million at 31 December 2019. This was due to (i) an increase in capital expenditure on property, plant and equipment of HK\$69.2 million invested in Indonesia, Guangxi and Heyuan manufacturing operations, and (ii) an increase in further investment in financial assets at FVTOCI of HK\$0.5 million, which were partially offset by total depreciation expense for property, plant and equipment and right-of-use assets of HK\$44.4 million.

8.9 Current assets

The Group's current assets stood at HK\$1,076.4 million as at 30 June 2020, a decrease of HK\$60.3 million or 5.3%, from HK\$1,136.7 million as at 31 December 2019, mainly due to:

- a decrease in inventories of HK\$63.7 million mainly due to decreased raw materials purchased as a result of the COVID-19 outbreak in 2020;
- a decrease in bank and cash balances of HK\$35.1 million; and
- a decrease in trade and bills receivables of HK\$28.5 million in line with sales decline.

which were partially offset by:

- an increase in contract assets of HK\$62.8 million mainly due to the delay of shipment schedule as a result of the COVID-19 outbreak in 2020;
- an increase in current tax assets of refundable tax paid HK\$2.8 million ;
- an increase in prepayments, deposits and other receivables of HK\$0.6 million; and
- an increase in financial assets at FVTPL of HK\$0.8 million.

8.10 Current liabilities

The Group's current liabilities stood at HK\$755.3 million at 30 June 2020, decreased by HK\$17.8 million or 2.3%, from HK\$773.0 million at 31 December 2019, mainly due to:

- a decrease in trade and bills payables of HK\$33.2 million, mainly due to decrease raw materials purchased;
- a decrease in lease liabilities of HK\$7.0 million due to the utilization of lease during the period; and
- a decrease in current tax liabilities of HK\$4.5 million.

which were offset by:

- an increase in short-term borrowings of HK\$21.7 million to finance working capital requirement; and
- an increase in accruals and other payables of HK\$5.2 million;

8.11 Non-current liabilities

The Group's non-current liabilities stood at HK\$87.2 million as at 30 June 2020, a decrease of HK\$20.8 million or 19.3%, from HK\$108.0 million as at 31 December 2019 mainly due to (i) repayment of long-term borrowings of HK\$14.4 million and (ii) lease liabilities of HK\$6.4 million due to the shift of leases payable with tenures longer than one year to current lease liabilities.

8.12 Statement of Cash Flows for the six months ended 30 June 2020

As at 30 June 2020, the Group's cash resources of HK\$65.4 million are considered adequate for current operational needs. The net decrease in cash and cash equivalents of HK\$30.9 million held by the Group comprised:

- Net cash generated from operating activities of HK\$42.0 million to finance the working capital needs;
- Net cash used in investing activities of HK\$66.6 million mainly due to additions of property, plant and equipment; and
- Net cash used in financing activities of HK\$6.3 million, mainly due to the repayment of 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 strategic initiatives in manufacturing and in customer and product diversification will continue to drive the Group's future performance. In particular, strong customer relationship with our core customers that accounts for 85% of our orders have already helped to fill our order book beyond the end of 2020 and into early 2021. Further subsidies and financial support from local authorities in the PRC will continue to help relieving some of the costs pressure induced by the COVID-19.

Barring further unforeseen circumstances, the Group is confident of delivering another profitable year in FY2020.

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 2019, the payment of which is to be on a date to be decided in the second half of 2020; 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

N/A

(d) Books closure date

N/A

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been declared/recommendeded 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 2020.

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(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 6 months financial period ended 30 June 2020 to be false or misleading in any material aspect.

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 2020