



COMBINE WILL
COMBINE WILL INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands)
Reg. No. MC-196613
(the "Company")

ANNOUNCEMENT OF FINANCIAL STATEMENT FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2012 (THE "FY2012 RESULTS ANNOUNCEMENT")

- QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

The Board of Directors of the Company refers to the FY2012 Results Announcement released on 27 February 2013.

In relation to the FY2012 Results Announcement, the Singapore Exchange Securities Trading Limited has raised certain queries and the Company's responses to the said queries are set out against each of them:

- 1) *"We note that the Inventories have increased by 13.6% to HKD\$ 503 million in FY 2012 from HKD\$ 442 million in FY2011. Please provide a breakdown of this line item and to explain the material items.*

As sales fell by 14.15% in FY2012 and the Company reported that it is faced with the slowdown in the U.S and Europe economies which led to a shrinkage of demand, please provide reasons for the build-up in inventories."

The breakdown of the inventories is as follows:

	31 December 2012	31 December 2011
	HK\$'000	HK\$'000
Raw Materials	146,419	65,587
Work In Progress	241,819	207,862
Finished Goods	123,492	178,023
Provision For Impairment Loss	(8,659)	(8,659)
	503,071	442,813

The decrease in sales in FY2012 mainly arose from the Moulds and Tooling and Machine Sales business segments, both of which have Asia as their major market, whereas the sales in the ODM/OEM business segment only decreased by 1.8% when compared with FY2011.

The sales in the ODM/OEM business segment are mainly to Asia, U.S. and Europe. The sales to Europe in the ODM/OEM business segment increased from 13.5% in FY2011 to 20.6% in FY2012.

The increase in inventories was mainly attributable to the ODM/OEM business segment, primarily due to:

- volume purchase of raw materials for inter-changeable / confirmed orders, especially for long-term orders, to enjoy the more competitive pricing from suppliers;
- the difference in material usage for products between 1Q FY2013 and 1Q FY2012; and
- the difference in product-life cycle and shipment schedule for products between 1Q FY2013 and 1Q FY2012.

2) *"We note that Prepayments, deposits and other receivables fell to HKD 170 million in FY2012 from HKD 180 million in FY2011. Please provide a breakdown of this line item and explain the material items."*

	31 December 2012	31 December 2011
	HK\$'000	HK\$'000
Prepayments	27,570	27,983
Trade deposits paid	37,646	38,996
Utility and other deposits	10,863	9,893
Other receivables	94,162	103,379
	170,241	180,251

Prepayment mainly consists of prepayments and deposits paid to suppliers to secure the products ordered.

Trade deposits paid mainly consists of deposits paid to moulds manufacturers to secure the production of moulds.

Other receivables consists of payment to agents to settle import / export related expenses (which included but were not limited to custom duty, freight charges, import/export fee etc), purchase cost of imported products (e.g. the machines for sale by the Machine Sales business segment) which as at 31 December 2012 had not yet been delivered, accrual income from mould engineering works, product development and design cost to be received from customers and advancement to property and other vendors to secure production facilities to meet production and development needs.

The decrease in other receivables in FY2012 is mainly due to the decrease in deposits paid to import / export agent for the purchase of products mainly for the Machine Sales business segment as a result of the decreased sales.

By Order of the Board

Chiu Hau Shun, Simon
Executive Director

5 March 2013