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

ANNOUNCEMENT OF SECOND QUARTER RESULTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2011 (THE "2Q2011 RESULTS ANNOUNCEMENT")

- **QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED**

The Board of Directors of Combine Will International Holdings Ltd (the "Company") refers to the 2Q2011 Results Announcement released on 14 August 2011.

In relation to the 2Q2011 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:

a) "*The Company disclosed on Page 3 that Inventories increased by 24% from HK$412.5 million as at 31 December 2010 to HK$511.7 million as at 30 June 2011.*

Please provide a breakdown by inventory type and explain for each material increase."

	30 June 2011 HK$'000	31 December 2010 HK$'000
Raw Materials	**103,707**	75,449
Work In Progress	**244,557**	174,990
Finished Goods	**172,044**	170,699
Provision For Impairment Loss	**(8,601)**	(8,659)
	511,707	412,479

The increase in raw materials was mainly due to our efforts to secure the raw materials at a better price for production based on the production schedule of some of our major customers.

The increase in work in progress was mainly due to the increase in orders in Mould and Tools business segment, which in general has a longer production period. The expected increase in sales in our ODM/OEM business segment also further increased the work in progress.

b) "*The Company disclosed on Page 4 that Prepayments, deposits and other receivables increased by 16.2% from HK$173.3 million as at 31 December 2010 to HK$201.3 million as at 30 June 2011.*

Please provide a breakdown by type and explain for each material increase."

	30 June 2011	31 December 2010
	HK$'000	HK$'000
Prepayments	**44,772**	36,373
Trade deposits paid	**30,991**	21,074
Utility and other deposits	**15,780**	21,733
Other receivables	**109,762**	94,110
	201,305	173,290

Prepayments increased mainly due to increase of prepayments to the suppliers of the Machine Sales segment to secure the products ordered. The customers' orders had increased due to the economic recovery and were in line with the increase in revenue of the Machine Sales segment.

Trade deposits paid increased mainly due to the deposits paid to mould manufacturers (both for the ODM/OEM segment and the Moulds and Tooling segment) in order to secure the production of the moulds. The increase in moulds production was as a result of the increased orders received from the customers of the ODM/OEM segment and the Moulds and Tooling segment and were in line with the increase in revenue of both segments for the six-month period ended 30 June 2011 ("HY2011").

Utility and other deposits decreased as the deposits paid for acquiring the property, plant and equipment of the Moulds and Tooling segment had been re-classified under Property, Plant and Equipment during HY2011 as the property, plant and equipment were delivered.

Other receivables increased by HK$15.7 million mainly due to the injection of HK$20 million by the Group to a subsidiary as part of a further capital injection which is in transit and not yet received by that subsidiary and which was set off against a HK$3.7 million advancement to an agent of the Machine Sales segment to settle the import / export related expenses (which included but not limited to custom duty, freight charges, import/export fee and others).

c) "*We note on Page 10 that the Group's current liabilities increased by 46.4% from HK$927.9 million as at 31 December 2010 to HK$1,358.6 million as at 30 June 2011 mainly due to "an increase in term loans of HK$326.4 million due to utilization of RMB hedging products".*

Please elaborate how the increase in term loan was due to the utilization of hedging products and disclose the nature of the underlying hedge. Please also provide details fo the hedge size of the contracts."

The Company has been engaged in a "3-way product" to hedge part of its RMB appreciation risk. Basically, it involved several long-term fixed amounts, fixed interest rates and non-deliverable contracts to borrow US dollars ("USD") in Hong Kong and then use our Group's available foreign exchange control quota to exchange the exact amount of borrowed USD in China. The relevant bank's China branch would then disburse the exact amount back to the Company. As there is a difference in interest rates between borrowing in USD and lending in RMB and coupled with the fact that interest rates would have been fixed at the time when the contracts are signed, the Company could earn a fixed and predictable margin. Further, the amount that the Company entered into this kind of transaction was based on a certain percentage of the

Group's RMB expenditure, thus compensating part of the increase in expenses due to RMB appreciation. In relation to the possible exchange difference when the contract matures, the Company had also entered into forward exchange contracts to fix the exchange rates when the borrowing and lending mature on the same day. The margins resulting from this kind of hedging activities is estimated to be approximately HKD 13,273,000 per annum (in the last quarter: approximately HKD 2,947,000). The increase in term loan as referred to in the 2Q2011 Results Announcement is actually the borrowing in USD of this transaction. The total borrowing and lending relating to this hedging product as at 30 June 2011 was approximately HKD 551,917,000.

By Order of the Board

Chiu Hau Shun, Simon
Executive Director

22 August 2011