CW GROUP HOLDINGS LIMITED
創達科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1322

INDUSTRIAL 4.0
FULL THROTTLE
ENGINEERING SOLUTIONS

2015 Annual Report

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Wong Koon Lup *(Chairman and Chief Executive Officer)*
Mr. Wong Mun Sum
Mr. Lee Tiang Soon

NON-EXECUTIVE DIRECTOR

Mr. Zhang Bing Cheng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kuan Cheng Tuck
Mr. Ong Su Aun, Jeffrey (Wang Ci'An, Jeffrey)
Mr. Chan Hon Chung, Johnny

COMPANY SECRETARY

Mr. Chan Kam Fuk

AUDIT COMMITTEE

Mr. Kuan Cheng Tuck *(Chairman)*
Mr. Ong Su Aun, Jeffrey (Wang Ci'An, Jeffrey)
Mr. Chan Hon Chung, Johnny

NOMINATION COMMITTEE

Mr. Ong Su Aun, Jeffrey (Wang Ci'An, Jeffrey) *(Chairman)*
Mr. Kuan Cheng Tuck
Mr. Wong Koon Lup

REMUNERATION COMMITTEE

Mr. Chan Hon Chung, Johnny *(Chairman)*
Mr. Ong Su Aun, Jeffrey (Wang Ci'An, Jeffrey)
Mr. Wong Koon Lup

AUTHORISED REPRESENTATIVES

Mr. Wong Koon Lup
Mr. Chan Kam Fuk

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STOCK CODE

1322

On behalf of the Board and management of CW Group Holdings Limited (the "Company") and its subsidiaries (the "Group"), I take this opportunity to share with you a brief introduction of our Group, the past year in review and the way forward.

BRIEF INTRODUCTION

We are one of the leading one-stop precision engineering solutions providers serving a wide range of industries worldwide. Our Group's core businesses include supplying precision engineering solutions, CNC machining centres, and components and parts, as well as providing comprehensive maintenance and after-sales technical support. We serve over 200 diversified customers and our customer base spans across various industries, including precision machine tool engineering, electronics/semi-conductor, automotive, oil and gas, marine, as well as niche markets in aerospace and solar energy. Our business covers markets in European countries such as Germany, France and United Kingdom, as well as in the Asia-Pacific region such as the PRC, Southeast Asia, Japan and India.

The Group achieved a great milestone on 13 April 2012 when the shares of our Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). This strengthened the source of capital of our Group, providing a foundation for us to advance business collaborations with our business partners to capture opportunities in the precision engineering solutions industry.

BUSINESS REVIEW FOR 2015

In 2015, our Group continued its robust growth in sales volume. Revenue for the year ended 31 December 2015 increased by 48.4% from the previous year to HK$2,455.6 million. Profits from continuing operations for the year ended 31 December 2015 experienced a lower growth of 17.8% from the preceding year and increased to HK$220.2 million. This increase was offset by additional expenses incurred during the year ended 31 December 2015 in relation to the employees' share options expenses of approximately HK$18.1 million (31 December 2014: HK$2.1 million) and interests incurred from the issuance of medium term notes of approximately HK$16.6 million (31 December 2014: Nil). Should these expenses be excluded, profits from continuing operations for the year ended 31 December 2015 would have grown by 34.9%, from HK$189.0 million for the year ended 31 December 2014 to HK$254.9 million.

The precision engineering solutions projects and the sales of CNC machining centres continued to be the key focus of our Group, contributing 98.4% and 94.6% of our Group's revenue for the years ended 31 December 2015 and 2014, respectively. Revenue from these two business segments collectively grew by 54.4%, from HK$1,565.1 million for the year ended 31 December 2014, to HK$2,416.4 million in the current year. These two business segments were the main beneficiaries from our Group's decision to focus on key business fundamentals, as well as increasing support from bankers.

During the year ended 31 December 2015, we continued to maintain our key markets including Singapore, China, India, Indonesia, Malaysia, and Thailand, as demand for our solutions and products continued to grow. Our management remains steadfastly confident of the operating environment of our key markets and have continued to forge strong bonds with our customers, suppliers and working partners, which will enable us to continuously provide premier solutions and service offerings in the long term.

LOOKING FORWARD

Global growth continued to slow down in 2015 on the back of decelerating activities in most countries, and this was hampered further by declines in commodity prices, subdued global trades and the volatile financial market. In Europe, the imposition of sanctions as a result of geopolitical tensions associated with Russia-Ukraine relations and plummeting oil prices have strongly affected Russia's economy, which had also adversely generated a spillover effect to the region as a whole. In Asia, China is experiencing a slowdown in its economy for the second consecutive year, and the country is looking to create a sustainable growth rate by introducing series of measures aiming at rebalancing its economy. This slowdown in economic growth and rebalancing in China has unfortunately been accompanied by bouts of financial market volatility. Following huge upsurges in equity prices from late 2014 to mid 2015, valuations unexpectedly unwounded sharply in June 2015, sending shockwaves worldwide. Although policy measures have helped restore some stability to the markets, it does not alleviate concerns over the volatility of the equity markets, plummeting commodities prices and the overall economic growth prospects. Against a backdrop of such volatile macro-economic circumstances, we are cautious but remain optimistic on the performance of our Group, as these events may represent potential business opportunities.

Despite the uncertain economic outlook, it is forecasted that Foreign Direct Investments ("FDI") in China and the Asia Pacific region will remain robust. China is currently the largest recipient of FDI's funds in the world and it is expected to continue to be so as it moves towards its Industrialisation 4.0 plans and its vision of "Made-In-China 2025". Despite the economic uncertainty, Indonesia, India and Thailand also continued to attract FDI inflows in 2015 which are expected to further increase in the coming years. As such, looking forward, we anticipate a continuous rising demand for our precision engineering solutions projects, higher-end CNC machining centres as well as machine tools for the aviation manufacturing and the automotive industries, especially in the Asia Pacific region. We also anticipate potential growth in the region with regards to the new energy industry. With our manufacturing base in Iskandar Malaysia now gaining the relevant certifications and qualifications, we believe that we are well-positioned for the new challenges in this market. Despite the economic uncertainty in Europe, we believe that there are business opportunities in that region. In view of that, we have established a subsidiary and an operational presence in Switzerland. These new set-ups have put us in good stead and will allow us to better capture any potential business opportunities that may arise.

In 2016, we aim to (i) broaden our customer base and supply channels, (ii) expand our production capacity and (iii) strengthen our international presence by promoting further cooperation with our partners and customers through suitable merger and acquisition opportunities in Asia and/or Europe. With an operational target in 2016 to "tap on the capital market platform to integrate industrial resources", we aim to enhance our Price-to-Earnings Ratio and greater market value in the future.

We will continue to focus on growing our key markets whilst pursuing potential business opportunities in new markets. In addition, we will continue to improve to various aspects of our operations such as broadening our customer base and supply channels, and expanding the production capacity. Through the strengthening of existing and acquiring new business collaboration, we will further enhance the Group's continued profitability. In line with our strategy to increase our market penetration, we are also cautiously seeking suitable investment opportunities in Asia and Europe. By integrating the acquisition of high-quality companies with quality assets, we can adapt to new market demands, and create new sources of profit growth. We seek to capture suitable market opportunities to maximise our shareholders' returns.

DIVIDEND

The Board is pleased to recommend a final dividend of HK2.36 cents per share for the year ended 31 December 2015 (2014: HK2.36 cents).

APPRECIATION

In conclusion, on behalf of the Board, I would like to express my sincere thanks to all our shareholders, customers, principals and bankers for their continued trust and support. To the team at CW Group, I thank you for your hard work and dedication, without which we would not have been able to achieve the good results today.

The new financial year will bring forth new challenges and with the help of everyone, I am confident that we will be able to deliver yet another successful year in 2016.

Thank you.

Yours sincerely,
Wong Koon Lup
Chairman and Chief Executive Officer

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2015	2014
Profitability data *(HK$'000)*		
Revenue from continuing operations	**2,455,646**	1,654,603
Gross profit from continuing operations	**412,280**	298,176
Profit before tax from continuing operations	**276,145**	228,728
Profit for the year from continuing operations	**220,229**	186,907
Profit for the year (inclusive of discontinued operations)	**220,229**	304,422

	As at 31 December	
	2015	2014
Assets and liabilities data *(HK$'000)*		
Cash and bank balances	**444,905**	81,069
Bank loans and overdrafts	**1,431**	1,509
Total assets less current liabilities	**1,919,878**	978,203
Key financial ratios		
Current ratio *(times)* (Note 1)	**3.2**	2.1
Gearing ratio *(%)* (Note 2)	**38.4**	31.6*
Inventory turnover *(days)* (Note 3)	**1**	1
Trade receivables turnover *(days)* (Note 4)	**169**	202
Trade payables turnover *(days)* (Note 5)	**112**	144

* Certain amounts shown here do not correspond to the 2014 Annual Report and reflect adjustments made as detailed in Note 18 to the financial statements.

Notes:

Note 1 Current ratio is calculated based on current assets divided by current liabilities.

Note 2 Gearing ratio is calculated based on total bank loan, overdrafts, trade finance and bills payable* and redeemable preference shares divided by total assets.

Note 3 Inventory turnover is calculated based on the average inventory (sum of opening and closing balances of inventory of respective years and then divided by two) divided by cost of goods sold of the respective years and multiplied by the number of days in the corresponding year.

Note 4 Trade receivables turnover is calculated based on the average trade receivables (sum of opening and closing balances of trade receivables of respective years and then divided by two) divided by revenue of the respective years and multiplied by the number of days in the corresponding year.

Note 5 Trade payables turnover is calculated based on the average closing balances of trade payables (sum of opening and closing balances of trade payables of respective years and then divided by two) divided by cost of goods sold of the respective years and multiplied by the number of days in the corresponding year.

* Trade finance and bills payable were not included in the last annual report's calculations.

BUSINESS REVIEW

Precision engineering solutions projects

We offer our customers project-based tailor-made precision engineering solutions by producing customized assembly production lines. The range of these precision engineering solutions include the conducting of feasibility studies, concept and design, sourcing of assemblies, components and parts, to the manufacturing, installation and testing of products and the provision of after-sales technical support.

During the year ended 31 December 2015, our activities under this segment saw continued contributions in precision engineering solutions in our key markets such as India, Indonesia, Singapore and Thailand, in the precision engineering, automotive and oil and gas sectors.

Sales of cement production equipment

Under the brand name "菲斯特", our Group manufactures, assembles and supplies cement production equipment such as rotor weighfeeders and clinker coolers to customers in the construction materials industry in the PRC. We also distribute rotor weighfeeders of international brands and other cement production equipment such as flow control gates.

On 28 August 2014, the Group publicly announced the Group's intention to dispose its cement production equipment business segment (consist of FNW International Limited, Honor Well Group Holding Limited and Tianjin FeiSiTe Machinery Co., Ltd (collectively known as the "FNW Group")) and has executed a sale and purchase agreement. The disposal of cement production equipment business segment was completed on 23 December 2014.

Sales of CNC machining centres

This segment relates primarily to sales of precision engineering manufacturing equipment operable under CNC automation. We design and manufacture customized CNC vertical machining centres under the brand names of "KIWA-CW" and "KIWA" pursuant to an exclusive license in the PRC granted to us by our Japanese partner, Kiwa Machinery Co., Ltd. In addition, we also trade a wide range of CNC machining centres from our principals.

During the year ended 31 December 2015, our activities under this segment decreased largely attributable the strategy to focus more on precision engineering solutions projects.

Sales of components and parts

To enable our Group to be a one-stop solution provider, we supplement our core business by distributing and trading a comprehensive range of accessory products together with components and parts. These components and parts are either manufactured by our Group or sourced from our international network of suppliers.

During the year ended 31 December 2015, our activities under this segment decreased mainly attributable to the strategy to focus more on precision engineering solutions projects.

Provision of comprehensive maintenance and after-sales technical support services

Our Group offers our customers comprehensive maintenance and after-sales technical support services.

During the year ended 31 December 2015, similar to our other business segments, this segment saw a decline as the Group channeled its resources to focus mainly on the precision engineering solutions projects segment.

Renewable energy solutions

Revenue from the renewable energy solutions relates primarily to the manufacture and trade of solar photovoltaic panels and modules.

Revenue contribution from this business segment decreased for the year ended 31 December 2015 partly due to the factory shutting down for about three months for the integration of the fully automated production line into the production plant, and delay in acquiring the relevant certifications required for the finished products.

OUTLOOK FOR 2016

Uncertainty and pessimism continued to dominate the economic and business news in the recent months. At face value, the cynical mood seems justified as many negative factors such as China's financial gyrations, volatility in oil and commodities prices and fluctuating foreign exchange rates are adding downward pressure to the economy. The recent developments by themselves does not necessary signal an imminent global economic recession but it does not give confidence. The largest downward adjustments are seen in emerging markets, with Russia, the most pronounced, as their economic outlook deteriorated rapidly over the last year.

Since the onset of the global financial crisis, developing countries generated much of the global growth, with international trade, largely driven by demand from China, playing a critical role in sustaining global output. As the largest trading nation, China sustained the global growth momentum during the post-crisis period, maintaining strong demand for commodities and boosting export growth in the rest of the world. With a much anticipated slowdown in China, the developed economies are expected to contribute more to global growth in the near term, provided they manage to mitigate deflationary risks and stimulate investment and aggregate demand.

The downward trends in commodity prices since 2011 and sharp decline in oil prices since mid-2014 have changed the trade dynamics of many commodity-exporting countries. The oil price has plummeted by more than 55% since mid-2014, lowering the price of oil to levels that prevailed a decade ago. Non-oil commodity prices have continued on the downward trend initiated in 2011, with a particularly sharp drop in metals prices during 2015. The low level of oil and non-oil primary commodity prices is projected to remain stable and extend into 2016 before seeing modest recovery for some commodities, as downward pressures recede in the later part of 2017. Global oil market continues to remain oversupplied and demand growth is not expected to accelerate in 2016, given the overall weak global economic conditions, especially in China and other emerging economies that have been the main oil and metal demand drivers for the past decade.

Volatility in global exchange rates has risen considerably since mid-2014, while many emerging market currencies have plunged amid significant capital outflows. The downward pressure on emerging market currencies partly reflects deteriorating market expectations on these economies amidst expectations of a rise in United States interest rates. Furthermore, the volatility in the financial market continues to hamper growth expectations. Following the massive increases in equity prices from late 2014, valuations unexpectedly unwounded suddenly in mid-2015, causing worldwide tremors. Although policy measures have helped restore some stability to the markets, it does not alleviate concerns over the volatility of the equity markets.

Despite the slowdown in growth, China's economy has proved its resilience. While a slower growth was experienced in 2015, it was among the highest of the world's major economies, and given the size of China's economy today, the increase in economic output in 2015 in absolute values was more than in previous years when the growth rate was higher. Amidst the slowing growth rate and world economic and financial conditions, much should be focused on the Chinese government's efforts to facilitate a structural shift in the country's economy. The country is in the process of transitioning into a high value-added economy, which means that its growth will increasingly (and necessarily) be driven by consumption, innovation and the services sector. This is in line with the "Industry 4.0" revolution and the "Made-in-China 2025" targets which has captured the whole of China's focus, with capital expenditure investments already picking up in the first few months of 2016. Elsewhere in Asia, countries such as Indonesia, India and Thailand are continuing to attract FDI, which will only contribute to the economic and business growth in the region. Looking forward, the trend in China and the growth in FDI in the region is expected to create a continuous rising demand for precision engineering solutions projects, higher-end CNC machining centres as well as machine tools for the precision engineering, aviation manufacturing and the automotive industries, in the region. It is on this background that we, as a provider of one-stop precision engineering solutions, are encouraged and cautiously optimistic on the performances of the Group in the near future.

We are seeing growth in the new energy industry, particularly in the Asia Pacific region. After the U.S. imposed punitive tariffs on China made photovoltaic cells, and EU's anti-dumping measures on China made photovoltaic modules in 2013, the loss of these supplies from China has resulted in strong demands of photovoltaic cells and modules manufacturers from other countries, with Malaysia being one such country. With our manufacturing base in Iskandar Malaysia now gaining the relevant certifications and qualifications, we believe that we are well-positioned for the new challenges in this market.

Despite the uncertainties surround Europe, we believe that there are business opportunities in that region. In view of that, we have established a subsidiary and an operational presence in Switzerland. These new set-ups have put us in good stead and will allow us to better capture any potential business opportunities that may arise.

In 2016, we aim to broaden our customer base and supply channels, expand our production capacity as well as strengthen our international presence through further cooperation with our partners and customers through suitable merger and acquisition opportunities in Asia and/or Europe.

We will continue to focus on growing our key markets whilst pursuing potential business opportunities in new markets. In addition, we will continue to seek improvements to various aspects of our operations including broadening our customer base and supply channels and production capacity expansion. In line with our strategy to increase our market penetration, we are also cautiously seeking suitable investment opportunities in Asia and Europe. We will cautiously seek to capture suitable market opportunities with a view to maximising our shareholders' returns. We expect to fund such new investment opportunities with bank borrowings, proceeds from the subscription of shares completed in December 2015, cash generated by our Group's operations, and/or proceeds from notes that may be issued pursuant to S$500,000,000 Multi-currency Debt Issuance Programme established by our Company and its two subsidiaries in June 2015, as appropriate.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2015, revenue of the Group reached approximately HK$2,455.6 million, representing an increase of approximately HK$801.0 million or 48.4% from approximately HK$1,654.6 million for the preceding financial year. Set out below is a breakdown of our revenue by our five business segments:

	Year ended 31 December				
	2015		2014		
		Percentage of total revenue		*Percentage of total revenue*	*Increase/ (Decrease)*
	HK$'000	***%***	*HK$'000*	*%*	
Precision engineering solutions projects	**2,357,043**	**96.0**	1,304,871	78.9	80.6%
Sales of CNC machining centres	**59,265**	**2.4**	260,259	15.7	(77.2%)
Sales of components and parts	**29,318**	**1.2**	51,887	3.2	(43.5%)
After-sales technical support services	**5,014**	**0.2**	23,925	1.4	(79.0%)
Renewable energy solutions	**5,006**	**0.2**	13,661	0.8	(63.4%)
Total	**2,455,646**	**100.0**	1,654,603	100.0	48.4%

Revenue from precision engineering solutions projects relates primarily to the provision of precision engineering solutions specific to machine tools and machinery and equipment encompassing their conceptualisation and design to production line set-up and commissioning of production lines. For the years ended 31 December 2015 and 2014, approximately 96.0% and 78.9% of our total revenue was derived from precision engineering solutions projects respectively. Revenue from this business segment grew by approximately 80.6% from approximately HK$1,304.9 million for the year ended 31 December 2014, to approximately HK$2,357.0 million for the year ended 31 December 2015. This is in line with our Group's strategy to focus more on precision engineering solutions projects. We were able to expand this segment at a more aggressive pace with the increase in trade facilities support obtained during the year.

Revenue from sales of CNC machining centres primarily relates to sales of precision engineering manufacturing equipment operable under CNC automation. For the years ended 31 December 2015 and 2014, approximately 2.4% and 15.7% of our total revenue was derived from sales of CNC machining centres respectively. Revenue from sales of CNC machining centres decreased by 77.2% from approximately HK$260.3 million for the year ended 31 December 2014, to approximately HK$59.3 million for the year ended 31 December 2015. The decrease was largely attributable to the strategy to focus more on precision engineering solutions projects which resulted in lower trading sales to customers in the precision engineering and automotive sectors in countries such as Indonesia, India and Thailand for the year ended 31 December 2015.

Revenue from sales of components and parts relates primarily to sales of self-manufactured and trading of components and parts. Revenue from this business segment contributed to approximately 1.2% and 3.2% of our total revenue for the years ended 31 December 2015 and 2014, respectively. Revenue from the sales of components and parts decreased by 43.5% from approximately HK$51.9 million for the year ended 31 December 2014, to approximately HK$29.3 million for the current year. The decrease was largely due to the completion of a project to supply components and parts in Singapore which contributed approximately HK$20.5 million for the year ended 31 December 2014.

Revenue from after-sales technical support services primarily consists of the provision of technical repairs and maintenance services in relation to our Group's other business segments. Revenue contribution from this business segment decreased to 0.2% for the year ended 31 December 2015 from 1.4% in the preceding year. Revenue from after-sales technical support services dropped by 79.0% from approximately HK$23.9 million in the previous year, to approximately HK$5.0 million for the current year ended 31 December 2015. This decline was mainly attributable to our Group's strategy to focus on and channel manpower to the precision engineering solutions project segment during the year.

Revenue from the renewable energy solutions relates primarily to the manufacture and trade of solar photovoltaic panels and modules. Revenue contribution from this business segment decreased from 0.8% for the year ended 31 December 2014 to 0.2% in the current year. Revenue from new energy solutions dropped by 63.4% from approximately HK$13.7 million for the year ended 31 December 2014, to approximately HK$5.0 million for the year ended 31 December 2015. The decrease was partly due to the factory shutting down for about three months for the integration of the fully automated production line into the production plant, and delay in acquiring the relevant certifications required for the finished products.

Cost of sales

The costs of sales of our Group accounted for approximately 83.2% and 82.0% of our revenue for the years ended 31 December 2015 and 2014 respectively. Our cost of sales comprises primarily: (i) cost of goods sold; (ii) direct labour costs; and (iii) direct depreciation expenses, which are costs incurred directly in relation to our revenue. Factors affecting our cost of sales include: (a) prices and availability of raw materials such as cast iron; and (b) salaries and related expenses of our engineers and skilled labour.

The following table sets forth the major components of our cost of sales:

	Year ended 31 December				
	2015		2014		
		Percentage of total cost of sales		*Percentage of total cost of sales*	*Increase/ (Decrease)*
	HK$'000	***%***	*HK$'000*	*%*	
Cost of goods sold	**2,035,495**	**99.6**	1,350,812	99.6	50.7%
Direct labour costs	**4,611**	**0.2**	4,135	0.3	11.5%
Direct depreciation expenses	**3,260**	**0.2**	1,480	0.1	120.3%
Total	**2,043,366**	**100.0**	1,356,427	100.0	50.6%

For both the years ended 31 December 2015 and 2014, cost of goods sold as a percentage of our Group's total cost of sales remained constant at 99.6%. Cost of goods sold increased by 50.7% from approximately HK$1,350.8 million for the year ended 31 December 2014 to approximately HK$2,035.5 million for the year ended 31 December 2015. Our Group's cost of goods sold comprises primarily material costs, sub-contractor costs, and inbound freight and handling costs. Material costs comprise primarily CNC machining centres, industrial equipment, components and parts, cast iron, casting, sheet metals, electric box, ball screw, spindle, controller and tool changers from suppliers located worldwide including Europe, Japan, PRC, Singapore, Taiwan and the United States of America. The increase in cost of goods sold in both the percentage of total cost of sales and in absolute amount, is mainly in line with the increase in revenue from the precision engineering solutions projects.

Direct labour costs comprise salaries and related costs for engineers as well as production and assembly staff. For the years ended 31 December 2015 and 2014, direct labour costs as a percentage of our Group's total cost of sales were approximately 0.2% and 0.3%, respectively. Direct labour costs increased by 11.5% from approximately HK$4.1 million for the year ended 31 December 2014 to approximately HK$4.6 million for the current year. The increase in absolute amount was primarily due to wage increments and increased work hours to meet the higher volume of business activities, as well as increased in labour for our new factory established for the manufacturing and assembling of solar photovoltaic modules and panels.

Direct depreciation expenses for the years ended 31 December 2015 and 2014 accounted for approximately 0.2% and 0.1% of our Group's total cost of sales, respectively. Direct depreciation expenses increased by 120.3% from approximately HK$1.5 million in the previous financial year, to approximately HK$3.3 million for the year ended 31 December 2015. Direct depreciation expenses comprise depreciation charges on production related equipment. The increase in direct depreciation was primarily due to new capital expenditures for the manufacturing of components and parts and for the manufacturing of solar photovoltaic modules and panels, and hence, resulted in higher depreciation expenses for year ended 31 December 2015.

Gross profit and gross profit margin

Our gross profit for the year ended 31 December 2015 was approximately HK$412.3 million, representing an increase of 38.3% from the year ended 31 December 2014. This was primarily contributed by the increase in revenue from the precision engineering solutions projects and the revenue from the sales of CNC machining centres. Despite the increase in revenue of the precision engineering solutions projects and the sales of CNC machining centres, the gross profit margins were lower compared with the prior financial year, mainly due to the higher costs of goods sold.

The continuing businesses of the Group comprises of five segments, out of which the precision engineering solutions projects segment and the after-sales technical support services generate higher gross profit margins.

As a combined result of the factors described above, our gross profit margin for the year ended 31 December 2015 decreased slightly from approximately 18.0% for the year ended 31 December 2014 to approximately 16.8%.

Other income and gains

The other income and gains of our Group amounted to approximately HK$3.2 million and HK$2.7 million for the years ended 31 December 2015 and 2014, respectively. The increase of approximately 18.8% was largely due to consultation services provided for a new project during the year ended 31 December 2015.

Selling and distribution expenses

Selling and distribution expenses refer to the expenses incurred for the promotion and sale of products. These expenses primarily comprise salaries and related costs for sales and marketing staff, travelling and transportation costs, outbound freight and handling costs, commissions and marketing expenses and maintenance costs of equipment. Selling and distribution expenses, as a percentage of total revenue, remained relatively constant, being 0.8% and 0.6% of total revenue for the years ended 31 December 2015 and 2014, respectively. Selling and distribution expenses in absolute terms, increased from approximately HK$10.7 million for the year ended 31 December 2014 to HK$19.6 million for the year ended 31 December 2015. This increase was largely attributable to an increase of HK$6.9 million in commission expenses incurred for certain precision engineering solutions projects undertaken for the year ended 31 December 2015.

Administrative expenses

Administrative expenses primarily comprise salaries and related costs for key management, finance and administration staff, rental expenses, depreciation, and audit fees.

The administrative expenses of our Group increased from approximately HK$42.5 million for year ended 31 December 2014 to approximately HK$64.4 million for the year ended 31 December 2015. This increase of 51.5% was primarily attributable to the increase in share option expenses of approximately HK$2.1 million for the year ended 31 December 2014, to approximately HK$18.1 million for the current year.

Finance costs

Our Group's finance costs comprise interest on bank loans, bank and other finance charges, interest on medium term notes and interest on finance leases. Our finance costs increased by 166.3%, or approximately HK$30.1 million, from about HK$18.1 million for the year ended 31 December 2014 to approximately HK$48.2 million for the year ended 31 December 2015. The increase was largely attributable to the interest expenses incurred from the redemption of the redeemable preference shares of approximately HK$5.7 million and the interest expenses from medium term notes of approximately HK$16.6 million incurred during the year ended 31 December 2015.

Other operating expenses

Our Group's other operating expenses consist of realised and unrealised foreign exchange losses. The foreign exchange losses were mainly attributable to the weakening of the Singapore dollar, which is one of our main operating currencies.

Income tax expense

Our income tax expense amounted to approximately HK$55.9 million and HK$41.8 million for the years ended 31 December 2015 and 2014, respectively. As a result of the increased profits, additional provision for taxation was made for the financial year ended 31 December 2015 on a more prudent basis for financial reporting purposes. The actual income tax payable on the assessable or taxable profits arising from the subsidiaries is generally determined and agreed with the relevant tax authorities, which might be different from the income tax provision made in these financial statements. Accordingly, our effective tax rate also increased to 20.2% for the year ended 31 December 2015 from 18.3% in prior year. At the same time, the Group is applying for revised assessment of certain profits, which upon agreement from the relevant tax department, these additional provision will be revised accordingly.

Profit from continuing operations, profit for the year and net profit margin

Our Group recorded a profit from continuing operations of approximately HK$220.2 million for the year ended 31 December 2015, which is an increase of approximately HK$33.3 million or 17.8% from approximately HK$186.9 million in the preceding year. As previously mentioned, the increase in profits from continuing operations is in line with the increase in overall revenue and has had taken into account non-operating expenses such as share options expenses of HK$18.1 million (2014: HK$2.1 million) and interest expenses from medium term notes of HK$16.6 million (2014: Nil). Should these non-operating expenses be excluded in both years, operating profits for the year from continuing operation would have increased by 34.9% from the previous year, up from HK$189.0 million to HK$254.9 million.

After including profit from discontinued operations for the year ended 31 December 2014, which amounted to approximately HK$117.5 million, the profit for the year attributable to the shareholders of our Company decreased by 27.7% from approximately HK$304.4 million for the year ended 31 December 2014 to approximately HK$220.2 million for the current year.

In line with the decrease in gross profit margin as mentioned above, net profit margin from continuing operations for the year ended 31 December 2015 also decreased slightly by 2.3% to 9.0%, from 11.3% for the year ended 31 December 2014.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

Our cash and bank balances amounted to approximately HK$444.9 million and HK$81.1 million as at 31 December 2015 and 2014, respectively. The functional currencies of our Group entities include the United States dollar, the Chinese Renminbi and the Singapore dollar. As at 31 December 2015, 53.2% of our Group's cash, bank deposits and pledged fixed deposits were denominated in the respective functional currencies (31 December 2014: 90.0%) and the remaining 46.8% (31 December 2014: 10.0%) in other currencies (mainly the Euro, the Hong Kong dollar, the Japanese yen and the United States dollar).

Our Group's primary sources of funds during the year included cash generated from operating activities and financing activities. Our Group had net cash outflow from operating activities of approximately HK$63.2 million, largely because of our Group's continuous effort to focus on the growth of our revenue, mainly in the precision engineering solutions projects segment and the sales of CNC machining centres segment. We also had net cash inflow of approximately HK$661.6 million from financing activities largely arising from the issuance of medium term notes and new shares during the year ended 31 December 2015.

Our bank facilities as at 31 December 2015 was approximately HK$861.9 million (2014: HK$548.8 million), of which approximately HK$642.9 million of trade facilities was utilised (2014: HK$501.6 million). In addition, we have bank loans and overdrafts drawn down of approximately HK$2.9 million as at 31 December 2015 (2014: HK$4.4 million), with interest rates of 5.0% per annum (2014: 7.9% per annum). Please refer to Note 35(b)(i) of the financial statements for details relating the denomination of our liabilities.

Trade receivables

Our total trade receivables balance amounted to approximately HK$1,413.2 million and HK$858.2 million as at 31 December 2015 and 2014 respectively. It comprises trade receivables of approximately HK$1,058.7 million and accrued revenue of approximately HK$354.5 million as at 31 December 2015 (2014: HK$677.2 million and HK$181.0 million respectively).

Our trade receivables increased from approximately HK$677.2 million as at 31 December 2014 to HK$1,058.7 million as at 31 December 2015, mainly due to the increase in revenue under the precision engineering solutions projects segment.

Accrued revenue

The accrued revenue of our Group as at 31 December 2015 amounted to approximately HK$354.5 million (31 December 2014: HK$181.0 million). All services under accrued revenue have been rendered as certain milestones were achieved such as acceptance by customers. However, due to the agreed payment terms, the relevant payment requests were billed to our customers subsequent to the year end. The increase in accrued revenue is mainly attributable to the increase in revenue in the precision engineering solutions projects segment during the year.

Net current assets

As at 31 December 2015, the Group had net current assets of approximately HK$1,792.8 million compared to HK$803.4 million as at 31 December 2014. The increase was due mainly to an increase in trade receivables and other receivables, which was partly offset by an increase in trade financing and bills payable. This was a result of the increase in business activities, particularly the precision engineering solutions projects segment where revenue for the year has increased and also certain advance payments which were made to suppliers. Also contributing to the increase was the increase in cash and bank balances, which was largely attributable to financing activities such as notes issuances and new share issuances during the year.

Current liabilities

Our current liabilities comprised trade payables, trade finance and bills payables, other payables, issued notes, bank loans and overdrafts, tax payables and finance leases payable. Our total current liabilities amounted to approximately HK$831.5 million and HK$707.8 million as at 31 December 2015 and 2014 respectively, and accounted for approximately 67.1% of our total liabilities as at 31 December 2015 (31 December 2014: 97.8%). The increase in current liabilities was largely attributable to the increase in trade financing and bills payable, although this was partially offset by the redemption of the redeemable preference shares.

Current ratio

The Group's current ratio increased to 3.2 times as at 31 December 2015 (31 December 2014: 2.1 times), this was largely attributable to the increase in trade receivables, other receivables and cash and bank balances.

Gearing ratio

Gearing ratio is measured by the total bank loans, overdrafts, trade financing and bills payables, notes issued, and redeemable preference shares divided by total assets of the Group. As at 31 December 2015, the gearing ratio was 38.4% whereas the gearing ratio as at 31 December 2014 was 31.6%.

Risk of exchange rate fluctuation

The Group transacts business in various foreign currencies, including the United States dollar, Euro, Chinese Renminbi, British pound and Japanese yen, and therefore is exposed to foreign exchange risks.

The Group manages its foreign exchange exposure as far as possible by matching the currency that it transacts with its customers to the currency that it purchased in to create a natural hedge.

The Group has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risks. No hedge has been taken up to mitigate this exposure as it does not impact cash flows.

For further information on the foreign currency sensitivity analysis, please see Note 31 to the financial statements.

Charge on assets

As at 31 December 2015, our Group had pledged certain assets with a net book value of approximately HK$5.7 million under hire purchase financing (2014: HK$6.6 million). Details of the Group's charge on assets as at 31 December 2015 are set out in Note 28 to the financial statements.

Treasury policies

Our Group prudently manage its treasury functions and maintained a healthy liquidity position throughout the financial year ended 31 December 2015. The Board closely monitors our liquidity position to ensure that the liquidity structure of our assets, liabilities and other commitments can meet its funding requirements from time to time.

Employees and remuneration policy

As at 31 December 2015, our Group had a total number of 110 full-time employees, excluding 74 full-time employees in our joint ventures (2014: 91 and 74 respectively). Our Group determined the remuneration packages of all employees based on factors such as the employees' individual qualifications, contributions to our Group, performance and years of work experience.

The Group provides on-going training to our staff in order to enhance their technical skills and product knowledge and to provide them with updates with regards to industry quality standards and work safety standards. In addition, our engineers receive on-going technical training and exchanges with Kiwa Machinery Co., Ltd. in both Japan and the PRC.

The Group maintains good relationships with our employees and has not experienced any significant problems with our employees nor have there been any disruptions to the Group's business operations as a result of strikes or other labour disputes.

As required by PRC regulations, the Group participates in the social insurance schemes operated by the relevant local government authorities.

In order to provide an incentive or reward to eligible persons for their contribution to our Group and to enable our Group to recruit and retain human resources that are valuable to us, our Company adopted a share option scheme on 14 March 2012 under which it may grant options to eligible persons. On 17 December 2014, our Group granted 49,929,777 share options to our Directors, certain employees and a consultant of our Group at an exercise price of HK$2.09 with various vesting periods between March 2015 and March 2017. In respect of those share options granted to the controlling shareholders of our Company and executive Directors – Mr. Wong Koon Lup (15,410,425 share options) and Mr. Wong Mun Sum (12,328,340 share options), special approval for these grants was obtained from the independent shareholders of our Company at an extraordinary general meeting held on 29 June 2015. On 8 July 2015, Mr. Wong Koon Lup and Mr. Wong Mun Sum exercised 4,684,759 share options and 4,109,446 share options, respectively. As at the date of this report, other than the above mentioned, none of the other share options granted to the other eligible persons have been exercised.

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, sustainable growth and the enhancing of shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of corporate governance. Save as disclosed in the section headed "Chairman and Chief Executive Officer" in this report, the Directors consider that during the year ended 31 December 2015 (the "Review Period"), the Company has complied with the code provisions as set out in the CG Code.

DIRECTORS SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct of the Group regarding Directors' securities transactions for the Review Period. Specific written acknowledgements have been obtained from each Director to confirm compliance with the Model Code during the Review Period. There were no incidents of non-compliance during that period. The Board confirmed that having made specific enquiries with the Directors, all the Directors confirmed that they had complied with the required standard of dealings for the Review Period.

BOARD OF DIRECTORS

The Board collectively provides leadership, guidance and strategic decisions for the Group's activities and oversees its financial performance. The Directors are collectively responsible for promoting the success of the Company and making decisions in the best interests of the Company. The Board has delegated its powers to the management with regards to the Group's daily management and operations.

BOARD COMPOSITION

During the Review Period and subsequently up to the date of this annual report, the Board comprised three executive Directors ("Executive Directors"), one non-executive Director ("Non-executive Director") and three independent non-executive Directors ("Independent Non-executive Directors"). The Board has at least one-third of its membership comprising Independent Non-executive Directors in accordance with Rule 3.10A of the Listing Rules. The following are the members of the Board:

Executive Directors

Mr. Wong Koon Lup (Chairman and Chief Executive Officer)
Mr. Wong Mun Sum (Chief Operating Officer)
Mr. Lee Tiang Soon

Non-executive Director

Mr. Zhang Bing Cheng

Independent Non-executive Directors

Mr. Kuan Cheng Tuck
Mr. Ong Su Aun, Jeffrey (Wang Ci'An, Jeffrey)
Mr. Chan Hon Chung, Johnny

The biographical details and responsibilities of the Directors as well as the senior management are set out in the section headed "Profile of Directors and Senior Management" on pages 26 to 29 of this annual report.

Save as disclosed in the section headed "Profile of Directors and Senior Management" to this annual report, the Directors have no other financial, business, family or other material/relevant relationships with one another.

The Directors believe that the composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business development of the Group and for effective leadership, as all the Executive Directors possess extensive experience in management and the provision of precision engineering solutions projects, whilst the Non-executive Director and the Independent Non-executive Directors possess professional knowledge and broad experience in the areas of finance, law and management. The Directors are of the opinion that the present structure of the Board can ensure the independence and objectivity of the Board and provide a system of checks and balances to safeguard the interests of the shareholders and the Company as a whole.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

All Directors are encouraged to participate in continuing professional development courses and seminars to develop and refresh their knowledge and skills. The Company updates the Directors on the latest developments regarding the Listing Rules and relevant statutory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

According to records provided by the Directors, a summary of training received by the Directors for the Review Period is as follows:

Directors	Type of continuing professional development programmes
Executive Directors	
Mr. Wong Koon Lup	1, 2
Mr. Wong Mun Sum	1, 2
Mr. Lee Tiang Soon	1, 2
Independent Non-executive Directors	
Mr. Kuan Cheng Tuck	1, 2
Mr. Ong Su Aun, Jeffrey (Wang Ci'An, Jeffrey)	1, 2
Mr. Chan Hon Chung, Johnny	1, 2

Notes:

1. Reading materials to update on the latest developments of the Listing Rules and relevant statutory requirements

2. Attending briefing sessions and/or seminars

   Due to the collective and individual commitments of the Directors during the Review Period, not all Directors were able to attend briefing sessions and/or seminars. However, all the Directors have read materials updating themselves on the latest developments of the Listing Rules and the relevant statutory requirements, and during the Review Period, the Directors (and management) have kept in close communication with their professional advisors and Company Secretary on an as needed basis.

FUNCTIONS AND DUTIES OF THE BOARD

The main functions and duties conferred on and performed by the Board include:

(i) overall management of the business and strategic development;
(ii) deciding business plans and investment plans;
(iii) convening general meetings and reporting to the shareholders of the Company;
(iv) exercising other powers, functions and duties conferred by shareholders in general meetings; and
(v) determining the policies for corporate governance practices.

The Board is responsible for performing the corporate governance duties as set out in Code Provision D.3 of the CG Code.

The management is responsible for the daily management & operation of the Company.

BOARD MEETINGS

For the Review Period, the Board considers that all meetings have been legally and properly convened. With the assistance of the Company Secretary, the Chairman of the Board takes the lead to ensure that Board meetings and Board committee meetings are convened in accordance with the requirements set out in the Articles of Association of the Company, the terms of reference of the respective Board committees and the Listing Rules.

During the Review Period, the Board has held 5 Board meetings. The record of attendance of individual Directors at the Board meetings is set out below.

Prior notice of at least 14 days convening the Board meetings were dispatched to the Directors setting out the matters to be discussed. At the meetings, the Directors were provided with the relevant documents to be discussed and approved. The Company Secretary is responsible for keeping minutes for the Board meetings.

The minutes of Board meetings record in sufficient details the matters considered by the Board, including all concerns raised by the Directors and dissenting views expressed. The minutes of all Board meetings and Board committee meetings are kept by the Company Secretary and are available for inspection by any Director, auditors or any relevant eligible parties who can have access to such minutes.

ATTENDANCE RECORD

The attendance record of each Director at the Board and Board committee meetings of the Company held during the Review Period is set out in the table below:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Extraordinary General Meeting
Executive Directors						
Mr. Wong Koon Lup	5/5	N/A	1/1	1/1	1/1	1/1
Mr. Wong Mun Sum	4/5	N/A	N/A	N/A	1/1	1/1
Mr. Lee Tiang Soon	5/5	N/A	N/A	N/A	1/1	1/1
Independent Non-executive Directors						
Mr. Kuan Cheng Tuck	5/5	5/5	N/A	1/1	1/1	1/1
Mr. Ong Su Aun, Jeffrey (Wang Ci'An, Jeffrey)	5/5	5/5	1/1	1/1	1/1	1/1
Chan Hon Chung, Johnny	4/5	5/5	1/1	N/A	1/1	1/1

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rule 3.10(1) of the Listing Rules, the Company has appointed three Independent Non-executive Directors. Each of the Independent Non-executive Directors of the Company has entered into service contracts with the Company for a term of three years commencing on 13 April 2012, which was subsequently renewed on 13 April 2015, and they are also subject to retirement by rotation and re-election at the annual general meeting (the "AGM") of the Company in accordance with the Articles of Association of the Company. The Board considers that all Independent Non-executive Directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of the shareholders of the Company.

Prior to their respective appointments, each of the Independent Non-executive Directors submitted a written statement to the Stock Exchange confirming his independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect his independence. The Company has also received a written confirmation from each Independent Non-executive Director in respect of his independence. The Board considers that all Independent Non-executive Directors are being considered to be independent by reference to the factors stated in the Listing Rules.

PERMITTED INDEMNITY DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the Company's articles of association, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

The Company has subscribed to an insurance policy since April 2012 with an aim to indemnify its Directors and senior executives from any losses, claims, damages, liabilities and expenses arising from, including but not limited to, any proceedings brought against them during the performance of their duties pursuant to their respective service agreements entered into with the Company.

PROCEDURE FOR SEEKING PROFESSIONAL ADVICE BY DIRECTORS

The Company has agreed to provide separate independent professional advice to Directors to assist them to discharge their duties. The Company will develop a written procedure to enable Directors, upon reasonable request, to seek and be provided with independent professional advice in appropriate circumstances, at the Company's expense.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman ("Chairman") and chief executive officer ("Chief Executive Officer") should be separate and not be performed by the same individual. Mr. Wong Koon Lup has been performing both the roles of Chairman and Chief Executive Officer of the Group. Mr. Wong Koon Lup is the founder of the Group and has over 26 years of experience in the precision engineering industry. The Directors consider that vesting two roles in the same person allows for more effective and efficient planning of the Group's long-term business strategies and provides the Group with strong and consistent leadership in the development and execution of the Group's business strategies and is beneficial to the Group. The Directors will continue to review the effectiveness of the current structure and assess whether change in the separation of roles of Chairman and Chief Executive Officer is necessary.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the Executive Directors has entered into a service contract with the Company for a term of three years commencing from the date of their respective appointments and which may only be terminated in accordance with the provisions of the service contract of the Executive Director by either party giving to the other not less than three months' prior notice in writing.

BOARD COMMITTEES

The Company has established three Board committees (the "Board Committees"), namely the Audit Committee, the Remuneration Committee and the Nomination Committee to assist the Board in discharging its duties and responsibilities. The Board Committees are provided with sufficient resources to discharge their duties and are able to obtain outside independent professional advice in connection with their duties at the Company's expense.

AUDIT COMMITTEE

(a) The Audit Committee of the Company was established on 14 March 2012 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process and internal controls system.

(b) The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Kuan Cheng Tuck, Mr. Ong Su Aun, Jeffrey (Wang Ci'An, Jeffrey), Mr. Chan Hon Chung, Johnny. The Chairman of the Audit Committee is Mr. Kuan Cheng Tuck.

(c) During the Review Period, the Audit Committee held five meetings. The record of attendance of individual Director at the Audit Committee meetings is set out on page 20 of this annual report.

(d) The following is a summary of the work performed by the Audit Committee during the Review Period:

i. review of the external auditors' independence and quotation of audit fees with a recommendation to the Board for approval;

ii. review of the internal auditors' independence and quotation for charges on internal control with a recommendation to the Board for approval;

iii. review of the effectiveness of the system of internal controls of the Group;

iv. review of the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget; and

v. review of the consolidated financial statements including the Group's adopted accounting principles and practices, internal control systems and annual and interim results and other financial reporting matters (in conjunction with the external auditors for the annual results).

The terms of reference of the Audit Committee explaining its role and the authority delegated to it by the Board is available on the Stock Exchange and the Company's website.

Auditors' Remuneration

Ernst & Young, our external auditors, provided the Group with their annual audit services during the Review Period.

For the Review Period, the remuneration paid or payable to Ernst & Young in respect of audit services provided is set out below:

Services rendered	**Remuneration paid/payable** *HK$'million*
Annual audit services	3.13
Non-audit fees	0.64
Total	3.77

The Audit Committee has expressed its views to the Board that the level of fees paid/payable to the Company's external auditors for annual audit services is reasonable. There has been no major disagreement between the auditors and the management of the Company during the Review Period.

The Audit Committee is responsible to make recommendations to the Board as to the appointment, reappointment and removal of the external auditors. If adopted by the Board, these recommendations are subject to approval at the AGMs of the Company.

REMUNERATION COMMITTEE

(a) The Remuneration Committee of the Company was established on 14 March 2012 with written terms of reference in compliance with the CG Code. The main function of the Remuneration Committee is to assist the Board in establishing a formal and transparent procedure for setting policy on the remuneration packages for all Directors and senior management.

(b) The Remuneration Committee comprises two Independent Non-executive Directors, namely, Mr. Chan Hon Chung, Johnny and Mr. Ong Su Aun, Jeffrey (Wang Ci'An, Jeffrey); and Executive Director, Mr. Wong Koon Lup. The Chairman of the Remuneration Committee is Mr. Chan Hon Chung, Johnny.

(c) During the Review Period, the Remuneration Committee held one meeting. The record of attendance of individual Director at the Remuneration Committee meeting is set out on page 20 of this annual report.

(d) For the Review Period, the Remuneration Committee made recommendations to the Board on the remuneration packages of individual Directors and senior management. No Director or any of his associates were involved in determining his own remuneration. In determining such remuneration packages, the Remuneration Committee made reference to companies of comparable business and scale, and the nature and volume of work in order to compensate the Directors reasonably for their time and effort spent. During the Review Period, the Remuneration Committee conducted a review of the remuneration policy and structure of Directors and senior management which took into account the prevailing market conditions and the responsibilities of individual members.

The remuneration of the members of the senior management by band for the Review Period is set out below:

In the band of	**Number of individuals**
Nil to HK$1,000,000	1
HK$1,000,001 to HK$1,500,000	5

The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to all employees of the Group including bonus and share option schemes. The Group mainly determines staff remuneration on the basis of the competence, qualifications, experience and performance of individual employees and the salary trends in Singapore and the PRC. The staff remuneration will be reviewed regularly. The Group has adopted a share option scheme as an incentive to Directors and eligible employees.

The terms of reference of the Remuneration Committee explaining its role and the authority delegated to it by the Board is available on the Stock Exchange and the Company's website.

NOMINATION COMMITTEE

(a) The Nomination Committee of the Company was established on 14 March 2012 with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and senior management.

(b) The Nomination Committee has three members, comprising two Independent Non-executive Directors, namely, Mr. Ong Su Aun, Jeffrey (Wang Ci'An, Jeffrey) and Mr. Kuan Cheng Tuck; and Executive Director, Mr. Wong Koon Lup. The Chairman of the Nomination Committee is Mr. Ong Su Aun, Jeffrey (Wang Ci'An, Jeffrey).

(c) During the Review Period, the Nomination Committee held one meeting. The record of attendance of individual Directors at the Nomination Committee meeting is set out on page 20 of this annual report.

The terms of reference of the Nomination Committee explaining its role and the authority delegated to it by the Board is available on the Stock Exchange and the Company's website.

COMPANY SECRETARY

The Group's Company Secretary is Mr. Chan Kam Fuk who was appointed on 1 June 2012. The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. These objectives are achieved through adherence to proper Board processes and the timely preparation and dissemination to Directors of comprehensive meeting agendas and papers. Minutes of all Board and Board Committees meetings are prepared and maintained by the Company Secretary to record in sufficient details the matters considered and decisions reached by the Board or Committees, including any concerns raised or dissenting views voiced by any Director. All draft and final minutes of meetings of the Board and Board Committees are sent to Directors and Committee members respectively for comments and records and are available for inspection by any Director upon request.

The appointment and removal of the Company Secretary is subject to the Board approval in accordance with the Articles of Association of the Company. Whilst the Company Secretary reports to the Chairman, all members of the Board have access to the advice and services of the Company Secretary. Mr. Chan Kam Fuk was nominated by RHT Corporate Advisory (HK) Limited to act as the Company Secretary and RHT Corporate Advisory (HK) Limited has been providing certain corporate secretarial services to the Company pursuant to an engagement letter entered with the Company. Mr. Chan has been contacting with the Board and the chief financial officer of our Company directly in respect of company secretarial matters. In response to specific enquiries made, the Company Secretary confirmed that he has complied with all the required qualifications, experience and training requirements of the Listing Rules.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibilities for preparing the financial statement of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirements under the Listing Rules. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner as required by the Listing Rules.

The external auditors' statement about reporting responsibility is set out on page 43 of this annual report.

INTERNAL CONTROL

The internal control system has been designed to provide reasonable (but not absolute) assurance in safeguarding the assets of the Group, maintaining proper accounting records, execution with appropriate authority and compliance with the relevant laws and regulations.

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system on a yearly basis.

During the Review Period, the Company has outsourced its internal audit function to an external professional firm, PKF-CAP LLP., who have conducted a review of the Group's material controls, including financial, operational and compliance controls and risk management functions.

Having regard to the work performed by the internal and external auditors, the Board considers that the Group's internal control system is reasonably adequate and that the Company has complied with the code provisions on internal control of the CG Code.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company has engaged professional public relations consultants to organize various investor relations programs aiming at increasing the transparency of the Company, enhancing communications with shareholders and investors, increasing their understanding of and confidence in the Group's businesses.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as the Chairman of the Audit Committee and other members of the respective committees are available to answer questions at the general meeting of the shareholders. The Company recognizes the importance of maintaining on-going communications with the shareholders and encourage them to attend shareholders' meetings to stay informed of the Group's businesses and convey any concerns that they may have to the Directors and senior management.

Pursuant to article 64 of the Articles of Association of the Company, any shareholder holding not less than one-tenth of the paid up share capital of the Company carrying voting rights at general meetings of the Company has a right to call for an extraordinary general meeting by sending to the Board or the Company Secretary at the principal place of business a written request for such general meetings duly signed by the shareholders concerned together for the transaction of any business specified in such requisition and such meetings shall be held within two months of the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meetings, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders can feel free to put forward proposals relating to the operations, strategy and/or management of the Group for discussion at general meetings. Such proposals shall be submitted to the Board or the Company Secretary by written request. Pursuant to the Articles of Association of the Company, shareholders who proposed to submit proposals should convene extraordinary general meeting in accordance to the procedures as set out in article 64 of the Articles of Association of the Company.

The Group values feedback from shareholders with regards to its efforts to promote transparency and foster investor relationships. Enquiries to the Board or the Company including comments and suggestions are welcome and can be addressed to the Company's address: 83 Clemenceau Avenue #13-05, UE Square, Singapore 239920 or to the Company Secretary at cwcomsec@gmail.com.

The Company maintains a website at www.cwgroup-int.com where information and updates on the Company's financial information, corporate governance practices and other useful information are posted and available for access by public investors.

During the Review Period, there were no changes to the Memorandum and Articles of Association of the Company.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wong Koon Lup, aged 53, is the founder, chairman and chief executive officer of the Group. He has been appointed as an executive Director since 11 June 2010. Mr. Wong has over 26 years of experience in the engineering industry. Mr. Wong is responsible for the overall management, strategic planning and direction of our Group. Mr. Wong has spearheaded the expansion and growth of the business, and oversees the Group's operations and strategic planning. Mr. Wong charts the overall corporate direction and the development of new services and markets for the Group. Mr. Wong has been able to secure partnerships and strategic alliances with well-established players such as KIWA Machinery Co., Ltd. and Deckel Maho Pfronten GmbH, and assisted our Group to become a supplier of parts and components to Hewlett-Packard Singapore (Pte.) Ltd.

Prior to establishing the Group in 1996, Mr. Wong participated in a partnership, Eng Lian Huat Engineering & Trading, which was engaged in mechanical engineering works and the wholesale of industrial machinery and equipment. Mr. Wong divested his interests in Eng Lian Huat Engineering & Trading in 1999. Mr. Wong was awarded the National Trade Certificate in Metal Machining and the National Trade Certificate in Tool and Die Making (injection mould) by the Vocational and Industrial Training Board of Singapore in 1981 and 1982 respectively.

Mr. Wong Mun Sum, aged 56, is the executive Director and chief operating officer. Mr. Wong joined the Group in 2004 and he has been appointed as an Executive Director since 11 June 2010. Mr. Wong is responsible for the daily business operations of the Group and is primarily responsible for the development and enhancement of our Group's operational processes and the development of our operational capabilities, as well as implementing plans formulated by the board.

Mr. Wong obtained a Technician Diploma in Production Engineering from Singapore Polytechnic in 1979 and a Graduate Diploma in Marketing Management from Singapore Institute of Management in 1992.

Mr. Lee Tiang Soon, aged 45, is the executive Director and is responsible for the overall finance and business development of our Group. He joined the Group in April 2008 as the chief financial officer and he has been appointed as an executive Director since 3 April 2013. Mr. Lee is assigned with the tasks of corporate development, business strategy and overall finance function of the Group which include developing the Group's strategy, sourcing and managing new business opportunities, profiling and evaluating potential acquisition targets in terms of fit with the Group's strategy and value creation potential.

Mr. Lee graduated from Murdoch University, Australia in 1996 with a Bachelor of Commerce. Mr. Lee is a Certified Practising Accountant of CPA Australia since 2006. Mr. Lee has also been a member of the Institute of Singapore Chartered Accountants since 2013 which he has been a non-practicing member since 2007. Prior to joining the Group, Mr. Lee worked in Ernst & Young LLP from 1996 to 2003 where he left as a manager. During this period, he controlled the audits allocated to him and the audit teams working on his engagements and his responsibilities included covering audits of clients in various industries. From 2003 to 2006, Mr. Lee served as a senior manager at Alvarez & Marsal (SE Asia) Pte. Ltd. (formerly known as RSM Nelson Wheeler Tan Pte. Ltd) in the areas of insolvency and advisory services, and he served as an associate director at Tay Swee Sze & Associates from 2006 to April 2008.

NON-EXECUTIVE DIRECTORS

Mr. Zhang Bing Cheng, aged 40, has been appointed as a Non-executive Director since 3 February 2016. With reference to the announcements of CW Group Holdings Limited (the "Company") dated 14 August 2015, 21 September 2015 and 17 November 2015 (the "Announcements") in relation to the subscription of 93,781,682 Subscription Shares under General Mandate. Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the Announcements. According to the terms and conditions of the Subscription Agreement, the Subscriber shall have the right from time to time to nominate a nominee to be appointed as a non-executive Director upon completion of the Subscription and for such time as the Subscriber directly or indirectly holds at least 10% of the total number of issued Shares. Following the completion of the Subscription on 17 November 2015, Mr. Zhang, who is nominated by the Subscriber and whose nomination was duly considered and approved by our Nomination Committee and the Board.

Mr. Zhang graduated with a Master of Economics from the Central University of Finance and Economics (中央財經大學), Beijing, in 2004. Mr. Zhang is the general manager of the Subscriber, Zhejiang Hua Hang Investment Company Ltd.* (浙江華航投資有限公司), and the managing director of Visionmax Co., Ltd. (景隆資產管理（北京）有限公司).

Save as disclosed, Mr. Zhang did not hold any other position in the Company or in any other subsidiary of the Group as at the Latest Practicable Date. During the three years preceding the Latest Practicable Date, Mr. Zhang did not hold any directorships in other listed public companies whose securities are listed on the Stock Exchange or any other major appointments. Mr. Zhang is not connected to any director, senior management or substantial or controlling shareholder of the Company.

The Company has entered into a service agreement with Mr. Zhang for a term of three years, commencing on 3 February 2016. Save as disclosed, there is no other service contract entered into between Mr. Zhang and the Company. Mr. Zhang is subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the Articles of Association and the Listing Rules. Mr. Zhang will be entitled to director's emolument of S$30,000 per annum which has been determined by the Board on the recommendation of the Remuneration Committee with reference to his duties and responsibilities with the Company, his experience, and the prevailing practice in the market.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kuan Cheng Tuck, aged 44, has been appointed as an Independent Non-executive Director since 14 March 2012. Mr. Kuan has more than 20 years of experience in the fields of accounting and auditing as well as business and financial advisory. Prior to running his own accounting practice CT Kuan & Co, Mr. Kuan had worked with various international accounting firms in Singapore and Malaysia.

From 1999 to 2001, Mr. Kuan was a manager with Arthur Andersen and responsible for leading a team of auditors. From 2001 to 2004, he worked with Deloitte and Touche as an Audit Manager. In 2004, Mr. Kuan started his own accounting practice, CT Kuan & Co, and he also set up his own business consulting companies, KCT Consulting Pte. Ltd. and Kreston Consulting Pte. Ltd., which provided business and financial consulting services.

Mr. Kuan graduated with a Bachelor degree in Accountancy from Nanyang Technological University in Singapore in 1993; he also obtained a Bachelor degree in law from University of London in 2004 as an external student. Mr. Kuan is a fellow of The Association of Chartered Certified Accountants, United Kingdom and a member of the Institute of Singapore Chartered Accountants. Mr. Kuan is also an associate of the Singapore Association of Institute of Chartered Secretaries and Administrators and an associate of Insolvency Practitioners Association of Singapore Limited.

Mr. Kuan is an independent non-executive director of Green Build Technology Limited, Kori Holdings Limited and CNMC Goldmine Holdings Limited, all listed on the SGX-ST. From 15 September 2007 to 16 January 2014, Mr. Kuan was also an independent non-executive director of FDS Networks Group Limited, a company listed on the SGX-ST.

Mr. Ong Su Aun, Jeffrey (alias Mr. Wang Ci'An, Jeffrey), aged 38, has been appointed as an Independent Non-executive Director since 14 March 2012. Mr. Ong graduated from The National University of Singapore in 2002 and was admitted as an Advocate and Solicitor of the Supreme Court, Singapore in 2003. He is a founding partner of JLC Advisors LLP, where he has practiced litigation and corporate restructuring since 2008. He is currently an independent director of Annica Holdings Limited, a company listed on the Catalist of the SGX-ST. He was also previously an independent director of China Powerplus Limited, a company listed on the Mainboard of the SGX-ST.

Mr. Chan Hon Chung, Johnny, aged 50, has been appointed as an Independent Non-executive Director since 14 March 2012. Mr. Chan has been working in the banking industry for 12 years including ABN AMRO Bank, Standard Chartered Bank and The Bank of East Asia Limited, respectively. Mr. Chan has extensive knowledge and experience in the banking industry, including but not limited to, business banking, handling borrowing accounts and debt recovery, marketing and operation of commercial banking. Mr. Chan holds a Bachelor degree of Science in Finance from Brigham Young University, US in 1988 and a Master degree in Professional Accounting from the Hong Kong Polytechnic University in 2001.

Mr. Chan has been an executive director of Swing Media Technology Group Limited, a company listed on the SGX-ST, since September 2004, and has been its company secretary and chief financial officer since May 2003.

SENIOR MANAGEMENT

Mr. Lim Chwee Heng, aged 52, is the chief technology officer and joined the Group in November 2007. He was appointed as an Executive Director on 14 March 2012 and stepped down on 3 April 2013. Mr. Lim has over 20 years of experience in the engineering industry and is responsible for the overall technological development and the acquisition of new technology for the Group. Mr. Lim has been assigned with the task of searching and evaluating potential business targets with technology content, transferring and assimilating acquired technology and the synergizing and application of the technology to the Group.

Mr. Lim obtained a Bachelor of Engineering (Mechanical) from The National University of Singapore in 1988 and a Master of Business Administration (Accountancy) from Nanyang Technological University in 1999.

Prior to joining the Group, Mr. Lim had worked for Hewlett-Packard Singapore (Pte.) Ltd. for 18 years. Mr. Lim's last position was with Hewlett-Packard Singapore (Pte.) Ltd. as operations manager. From May 2006 to August 2007, Mr. Lim was the director of operations with R Logic International Pte. Ltd.

Mr. Foo Suan Ping, aged 39, is the Group's chief financial officer and joined the Group in June 2004. He is responsible for the corporate finance function of the Group and matters relating to accounting, financial administration and the compliance and reporting obligations of the Group.

Mr. Foo graduated from Ngee Ann Polytechnic with a Diploma in Banking and Financial Services in 1996. He has been a fellow of The Association of Chartered Certified Accountants since April 2011 and has also been a non-practising member of the Institute of Singapore Chartered Accountants since 2007.

Prior to joining the Group, Mr. Foo worked for Excel Machine Tools Ltd. from February 1999 to July 2003 where he was promoted to finance manager and was assigned with the financial and accounting responsibility of that group.

Mr. Tay Choon Guan, Jimmy, aged 53, is the Group's head of operations and marketing for the Asia-Pacific Region (excluding the PRC) and joined the Group in October 2006. Mr. Tay is responsible for the day-to-day operations and marketing of the Group in the Asia-Pacific Region, excluding the PRC.

Prior to joining the Group, Mr. Tay was the sales manager of Press Automation Technologies Pte. Ltd. from 1996 to 2006 and was responsible for managing and generating sales.

COMPANY SECRETARY

Mr. Chan Kam Fuk, aged 50, is a certified public accountant (practising) of the Hong Kong Institute of Certified Public Accountants, a certified practising accountant of CPA (Australia) and a certified tax adviser of the Taxation Institute of Hong Kong. Mr. Chan is the sole-proprietor of Dominic K. F. Chan & Co., CPA, an accounting firm in Hong Kong with extensive experience in finance, auditing and accounting.

Mr. Chan is currently an independent non-executive director of Haitian Hydropower International Limited (Stock Code: 8261) which is listed on the Growth Enterprise Market of the Stock Exchange and an independent non-executive director of Luks Group (Vietnam Holdings) Company Limited (stock code: 366) which is listed on the Main Board of the Stock Exchange.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") present the annual report together with the audited financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in Note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2015 and the state of affairs of the Group at that date are set out in the financial statements on pages 45 to 47. The Directors have recommended the payment of a final dividend of HK2.36 cents per Share for the year ended 31 December 2015 (2014: HK2.36 cents), subject to the approval of shareholders at the forthcoming AGM. The Company will make further announcement(s) as soon as practicable on the closure of register of members in order to determine the entitlement to attend the AGM and in order to determine the entitlement to the final dividend for the year ended 31 December 2015.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 17 to the financial statements.

BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 31 December 2015 are set out in Note 24 to the financial statements.

SHARE CAPITAL

Details of the Company's issued share capital during the year are set out in Note 30 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or laws of the Cayman Islands where the Company was incorporated.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

There was no purchase, redemption or sale of listed securities of the Company in the year ended 31 December 2015.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the statements of changes in equity and Note 33 to the financial statements. The Company's reserve available for distribution to shareholders comprises the share premium reserve of $535,867,000 (31 December 2014: HK$173,634,000). Under the Companies Law (as revised) of the Cayman Islands, the share premium of the Company may be applied by the Company subject to the provisions of its memorandum and articles of association, in such manner as the Company may from time to time determine, including paying distributions or dividends to members provided that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 75.4% (2014: 66.8%) of the total sales for the year and sales to the largest customer included therein amounted to 23.5% (2014: 19.1%). Purchases from the Group's five largest suppliers accounted for 74.4% (2014: 79.2%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 26.2% (2014: 26.8%). None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers of the Group.

DIRECTORS

The Directors of the Company during the year were:

Executive Directors:

Mr. Wong Koon Lup
Mr. Wong Mun Sum
Mr. Lee Tiang Soon

Independent Non-executive Directors:

Mr. Kuan Cheng Tuck
Mr. Ong Su Aun, Jeffrey (Wang Ci'An, Jeffrey)
Mr. Chan Hon Chung, Johnny

On 3 February 2016, Mr. Zhang Bing Cheng has been appointed as a non-executive Director.

In accordance with article 108 and article 112 of the Articles of Association, Mr. Wong Mun Sum, Mr. Ong Su Aun, Jeffrey (Wang Ci'An, Jeffrey) and Mr. Zhang Bing Cheng will retire from office as Directors at the forthcoming AGM. Mr. Wong Mun Sum, Mr. Ong Su Aun, Jeffrey (Wang Ci'An, Jeffrey) and Mr. Zhang Bing Cheng being eligible, will offer themselves for re-election as Directors at the AGM. At the AGM, ordinary resolutions will be proposed to re-elect them as Directors.

Independence of Independent Non-executive Directors

The Company has received annual confirmations of independence from Mr. Kuan Cheng Tuck, Mr. Ong Su Aun, Jeffrey (Wang Ci'An, Jeffrey) and Mr. Chan Hon Chung, Johnny, and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 26 to 29 of this annual report.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of our existing Executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the dates of their respective appointments and is subject to termination by either party giving not less than three months' prior notice in writing.

Each of our Independent Non-executive Directors has entered into a service contract with the Company for a term of three year which commenced on 13 April 2012 and is subject to termination by either party giving not less than three months' prior notice in writing. These service contracts of the Executive Directors and Independent Non-executive Directors are exempted from the shareholders' approval requirement under Rule 13.68 of the Listing Rules.

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Board has the general power of determining the Directors' remuneration, subject to authorization of the shareholders of the Company at the annual general meeting each year.

The remuneration and other emoluments are determined by the Board by recommendation of the Remuneration Committee with reference to the duties, responsibilities and performance of the Directors and the results of the Group.

Details of the remuneration of the Directors are set out in Note 13 to the financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2015, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the"SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code as set out in Appendix 10 to the Listing Rules are as follows:

Name of Director	Nature of interest	Number of Ordinary shares (1)	Percentage of the total issued share capital of the Company
Mr. Wong Koon Lup (2)(3)	Interest in controlled corporation	161,300,000 (L)	22.43%
	Beneficial owner	38,860,425 (L)	5.40%
Mr. Wong Mun Sum (2)(3)	Beneficial owner	37,928,340 (L)	5.28%

Notes:

(1) The letter "L" denotes the long position in such shares and the letter "S" denotes the short position in such shares.

(2) Mr. Wong Koon Lup and Mr. Wong Mun Sum, both Executive Directors of the Company, owned 80% and 20% of the shares in WMS Holding Pte. Ltd., respectively. Mr. Wong Koon Lup is deemed to be interested in the shares held by WMS Holding Pte. Ltd. under Part XV of the SFO.

(3) Mr. Wong Koon Lup and Mr. Wong Mun Sum, both executive Directors of the Company, owned 80% and 20% of the shares in WMS Holding Pte. Ltd., respectively. Mr. Wong Koon Lup is deemed to be interested in the 161,300,000 Shares held by WMS Holding Pte. Ltd., under Part XV of the SFO. Mr. Wong Koon Lup and Mr. Wong Mun Sum held 10,725,656 and 8,218,894 unexercised share options respectively, pursuant to the share option scheme of the Company adopted on 14 March 2012. Details of the Share Option Scheme and options granted under the Scheme are set out on pages 35 to 39 of this annual report.

Save as disclosed above, as at 31 December 2015, none of the Directors or Chief Executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations which had to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the persons or entities who have interests or short positions in the shares and underlying shares of the Company which have been disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO are as follows:

Name	Capacity and nature of interest	Number of ordinary shares	Percentage of the total issued share capital of the Company
WMS Holding Pte. Ltd	Beneficial owner	161,300,000 (L)	22.43%
Mr. Wong Koon Lup[(2)(3)]	Interest in controlled corporation	161,300,000 (L)	22.43%
	Beneficial owner	38,860,425 (L)	5.40%
Ms. Lou Swee Lan[(3)]	Family Interest	200,160,425 (L)	27.84%
Mr. Wong Mun Sum[(2)]	Beneficial owner	37,928,340 (L)	5.28%
New South Group Limited	Beneficial owner	112,885,747 (L)	15.70%
Shenzhen Hua Hang Xin Investment Center Limited Partnership[(4)]	Beneficial owner	107,848,935	15.00%
中航信託股份有限公司[(4)]	Interest in controlled corporation	107,848,935	15.00%
中航資本控股股份有限公司[(4)]	Interest in controlled corporation	107,848,935	15.00%

Notes:

(1) The letter "L" denotes the long position in such shares and the letter "S" denotes the short positions in such shares.

(2) Mr. Wong Koon Lup and Mr. Wong Mun Sum, both executive Directors of the Company, owned 80% and 20% of the shares in WMS Holding Pte. Ltd., respectively. Mr. Wong Koon Lup is deemed to be interested in the 161,300,000 Shares held by WMS Holding Pte. Ltd., under Part XV of the SFO. Mr. Wong Koon Lup and Mr. Wong Mun Sum held 10,725,656 and 8,218,894 unexercised share options respectively, pursuant to the share option scheme of the Company adopted on 14 March 2012, under which they are entitled to subscribe for an aggregate of 10,725,656 and 8,218,894 Shares respectively, at an exercise price of HK$2.09 in accordance with the relevant terms of the grant.

For details, please refer to the Company's announcement dated 18 December 2014 and 19 December 2014.

(3) Ms. Lou Swee Lan is the spouse of Mr. Wong Koon Lup. Ms. Lou Swee Lan is deemed to be interested in all the Shares and the underlying Shares in which Mr. Woon Koon Lup has interests in under Part XV of the SFO.

(4) 中航信託股份有限公司 owned 99.77% of the shares in Shenzhen Hua Hang Xin Investment Center Limited Partnership (深圳市華航鑫投資中心(有限合夥)). 中航資本控股股份有限公司 owned 67% of the shares in AVIC Trust Co., Ltd. (中航信託股份有限公司). Both 中航信託股份有限公司 and 中航資本控股股份有限公司 are deemed to be interested in the shares held by Shenzhen Hua Hang Xin Investment Center Limited Partnership under Part XV of the SFO.

Save as disclosed above, as at 31 December 2015, the Directors are not aware of any other persons (who is not a Director or the Chief Executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme (the "Scheme") conditionally approved by a written resolution of the shareholders passed on 14 March 2012 and adopted by a resolution of the board of Directors (the "Board") on 14 March 2012 (the "Adoption Date"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

"Date of Grant" means date of grant of the Option in accordance with the Scheme;

"Grantee" means any Eligible Person (as defined below) who accepts an offer of grant of any Option in accordance with the terms of the Scheme of (where the context so permits) a person who is entitled, in accordance with the laws of succession, to any Option in consequence of the death of the original Grantee;

"Option" means a right to subscribe for Shares granted pursuant to the Scheme;

"Option Period" means the period of time where the Grantee may exercise the Option, which period shall not be more than 10 years from the Date of Grant; and

"Shares" means shares of HK$0.01 each in the capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time).

(a) Who may join

The Directors may at their absolute discretion grant Options to all Directors (whether executive or non-executive and whether independent or not), any employee (whether full-time or part-time), any consultant or advisor of or to the Company or the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), who, in the absolute opinion of the Board, have contributed to the Company or the Group and each of the persons mentioned above is referred to as an "Eligible Person".

(b) Purpose of the Scheme

The purpose of the Scheme is to provide person(s) and parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus linking their interests with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group.

(c) Duration and administration

The Scheme shall continue in force for the period commencing from the Adoption Date and expiring at the close of business on the tenth anniversary of the Adoption Date (the "Scheme Period"), after which period no further Options shall be granted but the provisions of the Scheme shall remain in full force and effect in all other respects in respect of Options remaining outstanding and exercisable on the expiry of the Scheme Period.

The Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided in the Scheme) shall be final and binding on all parties.

(d) Grant of Options

An offer of the grant of an Option shall be made to an Eligible Person in writing in such form as the Board may from time to time determine specifying, inter alia, the maximum number of Shares in respect of which such offer is made and requiring the Eligible Person to undertake to hold the Option on the terms of which it is to be granted and to be bound by the provisions of the Scheme and shall remain open for acceptance by the Eligible Person to whom the offer is made for a period of 28 days (or such other period as the Board may determine) from the date upon which the offer is issued provided that no such offer shall be open for acceptance after the expiry of the Scheme Period or after the Scheme has been terminated in accordance with the terms of the Scheme.

On and subject to the terms of the Scheme, the Board shall be entitled at any time during the Scheme Period to offer to grant an Option to any Eligible Person as the Board may at its absolute discretion select, and subject to such conditions and restrictions as the Board may think fit.

An offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Option, duly signed by the Eligible Person, together with the remittance of HK$1 in favour of the Company, irrespective of the number of Shares in respect of which the Option is accepted, as consideration for the grant is received by the Company.

The Date of Grant shall be the date on which the offer relating to such Option is duly approved by the Board in accordance with the Scheme.

(e) Price sensitive information

No offer of Options shall be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published by the Company. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting for the approval of the Company's interim or annual results, and (ii) the deadline of the Company to publish its interim or annual results announcement under the Company's listing agreement, and ending on the date of the results announcement, no Options may be granted. The period during which no Option may be granted will cover any period of delay in the publication of a results announcement.

(f) Grant of Options to connected persons

A grant of Option(s) to a connected person (as defined in the Listing Rules) of the Company under the Scheme must be approved by the Independent Non-executive Directors (excluding any Independent Non-executive Director who is the relevant Grantee).

Where any Options granted to a substantial shareholder (as defined in the Listing Rules) or an Independent Non-executive Director of the Company or its associates or any of their respective associates would result in the number and value of Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding but excluding Options which have lapsed) to such person in the 12-month period up to and including the date of such grant (i) exceeding in aggregate over 0.1% of the Shares in issue; and (ii) exceeding an aggregate value, (based on the closing price of the Shares on the Stock Exchange at the Date of Grant) in excess of HK$5 million, such further grant of Options must be approved by the shareholders by taking of a poll in a general meeting. The Company must send a circular to the shareholders. All connected persons (as defined in the Listing Rules) of the Company must abstain from voting (except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular) at the general meeting. The circular must contain: (i) detail of the number and terms (including the Subscription Price (as defined below) of the Options to be granted to each Eligible Person, which must be fixed before the general meeting concerned; (ii) a recommendation from the Independent Non-executive Directors (excluding any independent non-executive Director who is the relevant Grantee) to the independent shareholders as to voting; and (iii) the information required under the relevant provisions of Chapter 17 of the Listing Rules.

(g) Maximum number of Shares available for subscription

The maximum aggregate number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed in aggregate 30% of the Shares of the Company in issue from time to time (the "Overall Scheme Limit"). No Option may be granted under any schemes of the Company (or its subsidiaries) if such grant will result in the Overall Scheme Limit being exceeded. The total number of Shares which may be issued upon exercise of all Option to be granted under the Scheme and any other schemes must not in aggregate exceed 10% of the Shares of the Company (or the subsidiary) in issue immediately following the completion of the Global Offering (excluding the exercise of Over-allotment Option) and the Capitalization Issue, being 61,641,700 Shares (the "Scheme Mandate Limit") for this purpose. Option lapsed in accordance with the terms of the Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

Subject to the Overall Scheme Limit, the Company may seek approval from its shareholders in general meeting for "refreshing" the "Scheme Mandate Limit". However, the total number of Shares which may be issued upon exercise of all Options to be granted under all of the schemes of the Company under the limit as "refreshed" must not exceed 10% of the Shares in issue as of the date of approval by the shareholders of the renewed limited (the "Refreshed Scheme Mandate Limit"). Option previously granted under any existing schemes (including those outstanding, cancelled or lapsed in accordance with the Scheme or exercised Options) shall not be counted for the purpose of calculating the Refreshed Scheme Mandate Limit. The Company must send a circular to its shareholders containing the information required under the relevant provisions of Chapter 17 of the Listing Rules.

Subject to the Overall Scheme Limit, the Company may seek separate approval from its shareholders in a general meeting for granting Options to subscribe for Shares beyond the Scheme Mandate Limit or the Refreshed Scheme Mandate Limit (as the case may be) provided that the Option in excess of the Scheme Mandate Limit or the Refreshed Scheme Mandate Limit are granted only to Eligible Persons specifically identified by the Company before such approval is sought and the Company must send a circular to its shareholders containing the information specified in the relevant provisions of the Listing Rules. Unless approved by shareholders in general meeting at which the relevant Eligible Person and his associates abstain from voting in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, the total number of Shares issued and to be issued upon exercise of the Options granted to such Eligible Person (including exercised, cancelled and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue (the "Individual Limit") at such time. With respect to any further grant of Options to an Eligible Person exceeding in aggregate the Individual Limit, the Company must send a circular to its shareholders and the circular must disclose the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted to such Eligible Person), and the information required under the relevant provisions of Chapter 17 of the Listing Rules. The number and terms (including the Subscription Price) of Options to be granted to such Eligible Person must be fixed before the general meeting at which the same are approved, and the date of the Board meeting for proposing such further grant should be taken as the Date of Grant for the purpose of calculating the Subscription Price.

(h) Subscription price

The subscription price in respect of any particular Option shall be such price as the Board may at its absolute discretion determine at the time of the grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option (the "Subscription Price")), but in any case the Subscription Price must be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Date of Grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the Date of Grant; and (iii) the nominal value of the Shares. For the purpose of calculating the Subscription Price where the Company has been listed for less than five (5) business days, the issue price of the Shares at the time of Listing shall be used as the closing price of any business day falling within the period before Listing.

OPTIONS GRANTED UNDER THE SCHEME

The Company granted Options to subscribe for an aggregate of 49,929,777 Shares on 17 December 2014 to its executive Directors, certain eligible employees and a consultant of the Group. The exercise price of the Options granted to subscribe for an aggregate of 49,929,777 was HK$2.09. The closing price of HK$2.04 per share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant.

Details of the Options granted and outstanding for the year ended 31 December 2015, are as follows:

Number of Options granted:

Directors, eligible employees & a consultant of the Group	At 01-Jan 2015	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	At 31-Dec 2015	Date of exercise	Exercise price (HK$)	Validity period
Wong Koon Lup *(Chairman and Chief Executive Officer)*	15,410,425	–	4,684,769	–	10,725,656	09-07-15[1]	2.09	Please refer to Note 2 below
Wong Mun Sum *(Chief Operating Officer)*	12,328,340	–	4,109,446	–	8,218,894	09-07-15[1]	2.09	Please refer to Note 2 below
Lee Tiang Soon	6,164,170	–	–	–	6,164,170	–	2.09	Please refer to Note 2 below
Eligible employees	9,862,672	–	–	–	9,862,672	–	2.09	Please refer to Note 2 below
A consultant of the Group	6,164,170	–	–	–	6,164,170	–	2.09	Please refer to Note 2 below

Note:

(1) The closing price of HK$3.98 per share as stated in the daily quotation sheets issued by the Stock Exchange on the date of exercise.

(2) The Options are exercisable within a period of 5 years from the date of grant subject to the vesting schedule set out below.

The Options to the grantees shall be exercisable in three equal tranches and subject to the following vesting periods:

(a) The first 33.33% of the shares under the Options shall be vested and exercisable from 1 March 2015;

(b) The next 33.33% of the shares under the Options shall be vested and exercisable from 1 March 2016; and

(c) The remaining 33.33% of the shares under the Options shall be vested and exercisable from 1 March 2017.

Valuation of Options granted:

The total fair value of the Options granted as at the date of the grant is approximately HK$27.0 million.

The following assumptions using Binomial Options pricing model were adopted to determine the fair value of the options on the grant date:

	Granted on 17 December 2014
Underlying share price	HK$2.04
Exercise price	HK$2.09
Expected life of Options	2.6 years – 3.6 years
Expected volatility	37.8% – 43.8%
Expected annual dividend yield	0.656%
Risk free rate	0.62% – 0.94%

Based on the fair value of the Options granted, the Option expenses that will be recorded in the statement of comprehensive income of the Group for the financial years ended/ending 31 December 2014, 2015 and 2016 are: HK$2,051,408, HK$18,106,786 and HK$6,803,885, respectively.

CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 37 to the consolidated financial statements, no controlling shareholder of the Company had a material interest, either directly or indirectly, in any contract of significance (whether for the provision of services to the Company or not) to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2015.

BANK LOANS AND OTHER BORROWINGS AND COMMITMENTS

Details of bank loans and other borrowings of the Group as of 31 December 2015 are set out in Note 24 to the financial statements. Details of commitments of the Group as of 31 December 2015 are set out in Note 35 to the financial statements.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUISITION OF CAPITAL ASSETS

During the year, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2015.

MATERIAL LITIGATION AND ARBITRATION

So far as is known to the Directors, the Group was not involved in any litigation, arbitration or claims of material importance and there was no litigation or claims of material importance pending or threatened by or against the Company during the year ended 31 December 2015.

CONTINGENT LIABILITIES

There were no material contingent liabilities as at 31 December 2015.

FOREIGN EXCHANGE RISK MANAGEMENT

Details of the foreign exchange risk management of the Group are set out in Note 33(b)(i) to the financial statements.

SUBSEQUENT EVENTS

There were no significant subsequent events which have occurred since 31 December 2015 up to the date of this report.

RELATED PARTY TRANSACTIONS

The details of the related party transactions are set out in Note 37 to the financial statements.

The related party transactions disclosed in Note 37(a) does not constitute connected transactions or continuing connected transactions that are not exempt from annual reporting requirement in Chapter 14A of the Listing Rules.

COMPLIANCE WITH NON-COMPETITION AGREEMENT

The Company entered into a non-competition agreement with Mr. Wong Koon Lup, Mr. Wong Mun Sum and WMS Holding Pte. Ltd. (the "Covenantors") on 14 March 2012 (the "Non-Competition Agreement"), pursuant to which, the Covenantors provided certain non-competition undertakings to the Company. Pursuant to the agreement, the Directors who do not have a material interest in the Non-Competition Agreement are responsible for reviewing the implementation of the undertakings under the agreement on an annual basis. During the year, the Independent Non-executive Directors of the Company have reviewed the implementation of the Non-Competition Agreement and have confirmed that the Covenantors have been in full compliance with the agreement and there was no breach by the Covenantors.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

Save as disclosed above, during the year ended 31 December 2015 and up to the date of this report, none of the Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of our Group and have any other conflicts of interest, as required to be disclosed under the Listing Rules.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company was listed on the Main Board of the Stock Exchange on 13 April 2012. The net proceeds, after deduction of related issuance expenses, amounted to approximately HK$163.8 million. The net proceeds were utilized during the year as follows:

	Planned allocation percentage of net proceeds %	Planned allocation amount of net proceeds *HK$'million*	Unutilised balance as at 1 January 2015 *HK$'million*	Amount utilised during 2015 *HK$'million*	Unutilised balance as at 31 December 2015 *HK$'million*
Expansion of production facilities and capacities	53.9	88.3	–	–	–
Acquisitions, joint ventures and strategic alliances	21.5	35.2	21.9	21.9	–
Expanding range of CNC machines	8.2	13.4	–	–	–
Increasing sales and marketing efforts	6.5	10.7	–	–	–
Working capital and other general corporate purposes	9.9	16.2	–	–	–
	100	163.8	21.9	21.9	–

On 14 August 2015, the Company and Zhejiang Hua Hang Investments Co., Ltd* (浙江華航投資有限公司) (the "Subscriber"), entered into a subscription agreement, pursuant to which the Subscriber agreed to subscribe for 93,781,682 ordinary shares in the Company (the "Subscription Shares") at a consideration of HK$3.63 per Subscription Share (the "Subscription"). Upon completion of the Subscription on 17 November 2015, an aggregate of 93,781,682 Subscription Shares were issued and allotted to the Subscriber's nominee, Shenzhen Hua Hang Xin Investment Center Limited Partnership (深圳市華航鑫投資中心(有限合夥)).

The aggregate nominal value of the Shares issued as a result of the Subscription was HK$937,816.82. The closing price of the Shares was HK$4.12 per Share as quoted on the Stock Exchange on the date of the agreement for the Subscription. The net price per Share under the Placing was approximately HK$3.61. The gross and net proceeds from the Subscription were HK$340.4 million and HK$339.0 million, respectively. It is intended that the net proceeds arising from the Subscription will be used by the Company to fund the general working capital of the Group and finance any suitable investment opportunities, should these opportunities arise.

The Subscription represents an opportunity to strengthen the Group's working capital and cash position to fund the Group's business operations and development as well as any suitable investment and/or merger and acquisition opportunities. The board of directors believes that the Group would be able to leverage on the industry network and financial strength of the three indirect shareholders of the Subscriber and its associates and further strengthen its foothold in the PRC. For details, please refer to the Company's announcements dated 14 August 2015 and 17 November 2015.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained sufficient public float for the year ended 31 December 2015.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the audited financial statements.

AUDITORS

A resolution for the reappointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming AGM.

CLOSURE OF THE REGISTER OF MEMBERS

The Company will make further announcement(s) as soon as practicable on the closure of register of members in order to determine the entitlement to attend the AGM and in order to determine the entitlement to the final dividend for the year ended 31 December 2015.

ON BEHALF OF THE BOARD

Chairman

Hong Kong
26 April 2016

EY 安永

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To the shareholders of CW Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of CW Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 45 to 125, which comprise the consolidated statement of financial position of the Group as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with disclosure requirement of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
26 April 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Continuing operations			
Revenue	8	**2,455,646**	1,654,603
Cost of sales		**(2,043,366)**	(1,356,427)
Gross profit		**412,280**	298,176
Other income and gains	8	**3,196**	2,690
Selling and distribution expenses		**(19,639)**	(10,705)
Administrative expenses	9	**(64,364)**	(42,502)
Finance costs	10	**(48,207)**	(18,094)
Other operating expenses		**(8,326)**	(2,908)
Share of profit from joint ventures	19	**1,205**	2,071
Profit before tax from continuing operations	11	**276,145**	228,728
Income tax expense	12	**(55,916)**	(41,821)
Profit for the year from continuing operations		**220,229**	186,907
Discontinued operation			
Profit net of tax from discontinued operations	6	**–**	117,515
		220,229	304,422
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent year:			
Exchange difference on translation of foreign operations		**(33,400)**	(23,789)
Other comprehensive income for the year, net of tax		**(33,400)**	(23,789)
Total comprehensive income for the year		**186,829**	280,633
Profit for the year attributable to owners of the Company:			
Profit from continuing operations, net of tax		**220,229**	186,907
Profit from discontinued operations, net of tax		**–**	117,515
Profit for the year		**220,229**	304,422
Total comprehensive income for the year attributable to:			
Owners of the Company		**186,829**	280,633
		186,829	280,633
Earnings per share from continuing operations attributable to ordinary equity holders of the Company (HK cents)			
Basic	16	**34.85**	30.32
Diluted	16	**33.89**	28.05
Earnings per share (HK cents)			
Basic	16	**34.85**	49.39
Diluted	16	**33.89**	45.69

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	17	**39,902**	36,944
Goodwill	18	**5,197**	5,580
Other receivables	22	**69,770**	120,000
Investment in joint ventures	19	**12,253**	12,290
		127,122	174,814
Current assets			
Inventories	20	**3,302**	2,780
Trade receivables	21	**1,413,172**	858,228
Other receivables	22	**762,845**	569,073
Cash and bank balances	23	**444,905**	81,069
		2,624,224	1,511,150
Current liabilities			
Bank loans and overdrafts	24	**1,431**	1,509
Trade payables	25	**59,093**	72,109
Trade financing and bills payable	26	**642,907**	481,416
Other payables and accruals	27	**37,900**	66,117
Finance leases payable	28	**4,691**	4,561
Redeemable preference shares	31	**–**	29,240
Tax payables		**85,446**	52,809
		831,468	707,761
Net current assets		**1,792,756**	803,389
Total assets less current liabilities		**1,919,878**	978,203
Non-current liabilities			
Bank loans	24	**1,489**	2,920
Notes issued	32	**398,884**	–
Finance leases payable	28	**7,582**	12,310
Deferred tax liabilities	29	**762**	800
		408,717	16,030
Net assets		**1,511,161**	962,173

	Notes	2015 HK$'000	2014 HK$'000
Capital and reserves			
Share capital	30	**7,190**	6,164
Retained earnings		**828,380**	622,906
Share premium reserve	33	**784,158**	421,925
Other reserves	33	**(108,567)**	(88,822)
Total equity attributable to owners of the Company		**1,511,161**	962,173

Wong Koon Lup
Director

Wong Mun Sum
Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to owners of the Company				
Group	**Share capital** *HK$'000* *(Note 29)*	**Retained earnings** *HK$'000*	**Share premium reserve** *HK$'000* *(Note 32)*	**Other reserves** *HK$'000* *(Note 32)*	**Total** *HK$'000*
Balance at 1 January 2015	**6,164**	**622,906**	**421,925**	**(88,822)**	**962,173**
Profit for the year	**–**	**220,229**	**–**	**–**	**220,229**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(33,400)**	**(33,400)**
Total comprehensive income for the year	**–**	**220,229**	**–**	**(33,400)**	**186,829**
Share option exercised	**88**	**–**	**22,743**	**(4,451)**	**18,380**
Share option expense	**–**	**–**	**–**	**18,106**	**18,106**
New shares subscription	**938**	**–**	**339,490**	**–**	**340,428**
	1,026	**–**	**362,233**	**13,655**	**376,914**
Contributions by and distributions to owners					
Payment of final 2014 dividend	**–**	**(14,755)**	**–**	**–**	**(14,755)**
Total contributions by and distribution to owners	**–**	**(14,755)**	**–**	**–**	**(14,755)**
Balance at 31 December 2015	**7,190**	**828,380**	**784,158**	**(108,567)**	**1,511,161**

	Attributable to owners of the Company				
Group	Share capital *HK$'000* *(Note 29)*	Retained earnings *HK$'000*	Share premium reserve *HK$'000* *(Note 32)*	Other reserves *HK$'000* *(Note 32)*	Total *HK$'000*
Balance at 1 January 2014	6,164	328,963	421,925	(66,325)	690,727
Profit for the year	–	304,422	–	–	304,422
Exchange differences on translation of foreign operations	–	–	–	(23,789)	(23,789)
Total comprehensive income for the year	–	304,422	–	(23,789)	280,633
Share option expense	–	–	–	2,051	2,051
Contributions by and distributions to owners					
Payment of final 2013 dividend	–	(10,479)	–	–	(10,479)
Total contributions by and distribution to owners	–	(10,479)	–	–	(10,479)
Changes in ownership interest in subsidiaries					
Disposal of subsidiaries	–	–	–	(759)	(759)
Total changes in ownership interest in subsidiaries	–	–	–	(759)	(759)
Balance at 31 December 2014	6,164	622,906	421,925	(88,822)	962,173

Retained earnings have been adjusted for the proposed final 2014 dividend in accordance with the current year's presentation, which is described in Note 3 to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Cash flows from operating activities			
Profit before tax from continuing operations		**276,145**	228,728
Profit before tax from discontinued operations		**–**	9,978
Adjustments for:			
Depreciation		**5,524**	4,174
Foreign currency realignment		**(33,879)**	(23,418)
Interest income		**(28)**	(16)
Fixed assets written off		**–**	199
Finance costs		**48,207**	18,094
Allowance for unutilised leave provision		**34**	91
Allowance for doubtful debt		**49**	–
Share option expense		**18,106**	2,051
Share of profit of joint ventures		**(1,205)**	(2,071)
		36,808	(896)
Cash flows from operating activities before movements in working capital		**239,337**	237,810
Movements in working capital:			
Trade receivables		**(554,993)**	73,730
Other receivables		**82,452**	(437,945)
Inventories		**(522)**	(629)
Trade payables		**(13,016)**	(115,967)
Trade financing and bill payables		**161,491**	184,875
Other payables and accruals		**(28,251)**	113,969
Cash (used in)/generated from operations		**(39,886)**	55,843
Income taxes paid		**(23,317)**	(33,052)
Net cash flows (used in)/generated from operating activities		**(63,203)**	22,791
Cash flows from investing activities			
Interest received		**28**	16
Net cashflow from disposal of subsidiaries		**127,000**	13,025
Purchase of property, plant and equipment		**(12,385)**	(5,651)
Dividend received from joint venture		**1,242**	–
Advances for patents and trademarks		**(69,770)**	–
Net cashflow from acquisition of subsidiaries		**–**	634
Deposit to Escrow fund		**(283,224)**	–
Net cash flows (used in)/generated from investing activities		**(237,109)**	8,024

	Notes	2015 HK$'000	2014 HK$'000
Cash flows from financing activities			
Interest and finance charges paid		**(40,557)**	(18,094)
Repayment of obligations under finance leases		**(4,598)**	10,552
(Repayment)/proceeds from redeemable preference shares		**(32,888)**	29,240
Proceeds from share option exercised		**18,380**	–
Proceeds from subscription of new shares		**340,428**	–
Repayment of bank loans		**(1,375)**	3,973
Net proceeds from notes issued		**396,962**	–
Dividend paid		**(14,755)**	(10,479)
Net cash flows generated from financing activities		**661,597**	15,192
Net increase in cash and cash equivalents		**361,285**	46,007
Cash and cash equivalents at the beginning of the year		**80,935**	31,008
Effect of exchange rate changes, net		**2,685**	3,920
Cash and cash equivalents at the end of the year		**444,905**	80,935
Cash and cash equivalents consist of:			
Cash and bank balances	23	**444,905**	81,069
Bank overdrafts		**–**	(134)
Cash and cash equivalents		**444,905**	80,935

Note:

(i) Purchase of property, plant and equipment

Property, plant and equipment were purchased by:

	Notes	2015 HK$'000	2014 HK$'000
Cash payments		**12,385**	5,651
Finance leases		**–**	4,653
	17	**12,385**	10,304

1. CORPORATION INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, Ky1-1108, Cayman Islands. The Company's principal place of business is located at 26th floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong. The Company is an investment holding company.

The principal business activities of the Group include provision of precision engineering solutions, machine tool manufacturing and distribution as well as cement production equipment and components manufacturing and distribution.

As at 31 December 2015 and 2014, the Company had direct and indirect interests in its subsidiaries, the particulars of which are set out below:

Name of subsidiary	Legal form, date and place of incorporation/ establishment/ operations	Registered capital/ issued and fully paid share capital	Attributable equity interest of the Group	Principal activities
Directly held:				
SG (BVI) Limited (formerly known as Gaingold Pacific Limited)	Limited liability company 18 May 2010 British Virgin Islands	Ordinary shares US$100	100%	Investment holding
Indirectly held:				
SG Tech Holdings Limited	Public limited company 6 August 2007 Singapore	Ordinary shares S$21,867,698	100%	Investment holding
CW Group Pte Ltd	Limited private company 28 May 1996 Singapore	Ordinary share S$9,651,621	100%	Manufacture and sales of dies, moulds, tools, jigs and fixtures and wholesale of industrial machineries and equipment
CW International (S) Pte. Ltd.	Limited private company 20 April 2004 Singapore	Ordinary shares S$10,000	100%	Investment holding
創興機械設備（上海）有限公司 CW International (Shanghai) Co., Ltd. (1)	Wholly-owned foreign enterprise 18 May 2005 People's Republic of China ("PRC")	Registered capital US$2,500,000 Paid-up capital US$1,873,478	100%	Dealing in industrial machinery and equipment, technical testing and analysis services

1. CORPORATION INFORMATION (cont'd)

Name of subsidiary	Legal form, date and place of incorporation/ establishment/ operations	Registered capital/ issued and fully paid share capital	Attributable equity interest of the Group	Principal activities
Indirectly held: (cont'd)				
CW Tech Pte. Ltd.	Limited private company 26 October 2004 Singapore	Ordinary shares S$6,351,624	100%	Investment holding
Sun-M Energy Pte. Ltd.	Limited private company 17 April 2004 Singapore	Ordinary shares US$100,000	100%	Investment holding
Sun-M Energy Sdn. Bhd.	Wholly-owned foreign enterprise 17 April 2014 Malaysia	Ordinary shares RM250,000	100%	Manufacturing and trading of solar photovoltaic modules and panels
CW Advanced Technologies Pte. Ltd.	Limited private company 27 February 2003 Singapore	Ordinary shares S$450,000	100%	Dealing in industrial machinery and equipment and providing industrial technical consultancy services
塑鼎貿易（上海）有限公司 SD Trading (Shanghai) Co., Ltd. [(1)]	Wholly-owned foreign enterprise 26 February 2004 PRC	Registered and paid-up capital US$140,000	100%	Dealing in industrial machinery and equipment, technical testing and analysis services
CW International (M) Sdn. Bhd.	Limited private company 25 July 2005 Malaysia	Ordinary shares RM510,002	100%	Inactive
CW Advanced Technologies Limited	Limited liability company 16 May 2013 Hong Kong	Ordinary shares HK$1	100%	Dealing in industrial machinery and equipment and providing industrial technical consultancy services
CW Advanced Technologies Europe SA	Limited Liability company 20 March 2014 Switzerland	CHF$100,000	100%	Investment holding

(1) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

1. CORPORATION INFORMATION (cont'd)

No statutory audited financial statements have been prepared for SG (BVI) Limited since its dates of incorporation as it was incorporated in a jurisdiction where there is no statutory audit requirements.

The statutory financial statements of SG Tech Holdings Limited, CW Group Pte. Ltd., CW Advanced Technologies Pte. Ltd., CW International (S) Pte. Ltd., CW Tech Pte. Ltd. and Sun-M Energy Pte. Ltd. were prepared in accordance with accounting principles generally accepted in Singapore. The statutory financial statements of these companies were audited by Ernst & Young LLP, chartered accountants registered in Singapore.

The statutory financial statements of CW International (M) Sdn. Bhd. and Sun-M Energy Sdn Bhd for the year ended 31 December 2015 was prepared in accordance with accounting principles generally accepted in Malaysia. The statutory financial statements of CW International (M) Sdn. Bhd. and Sun-M Energy Sdn Bhd for the year ended 31 December 2015 was audited by Cheng & Co. and Siti Haliza & Associates, certified public accountants registered in Malaysia.

The statutory financial statements of CW International (Shanghai) Co., Ltd. and SD Trading (Shanghai) Co., Ltd. for the year ended 31 December 2015 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by 上海匯強會計師事務所, certified public accountants registered in the PRC.

The statutory financial statements of CW Advanced Technologies Limited was prepared in accordance with accounting principles generally accepted in Hong Kong. The statutory financial statements of this company was audited by Ernst & Young, certified public accountants registered in Hong Kong, SAR.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with IFRS (which include all International Financial Reporting Standards, International Accounting Standards ("IAS") and Interpretations) issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared under the historical cost convention. The financial statements are presented in Hong Kong dollar ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments for the first time for the current year's financial statements.

IAS 19 Amendments	Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvement to IFRSs 2010-2012 cycle
Amendments to IFRSs	Annual Improvement to IFRSs 2011-2013 cycle

The nature and the impact of each amendment are described below:

(a) Amendments to IAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The Annual Improvements to IFRSs 2010-2012 Cycle issued in January 2014 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortization of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- IAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Changes in accounting policy and disclosures (cont'd)

(c) The *Annual Improvements to IFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 3 *Business Combinations:* Clarifies that joint arrangements but not joint ventures are outside the scope of IFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- IFRS 13 *Fair Value Measurement:* Clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 or IAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which IFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in IFRS 13.

- IAS 40 *Investment Property:* Clarifies that IFRS 3, instead of the description of ancillary services in IAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the Group did not have acquisition of investment properties during the year.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Accounting standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9	Financial Instruments [3]
Amendments to IFRS 10 and IAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associates or Joint Venture [1]
Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	Investment Entities: Applying the Consolidation Exception [1]
Amendments to IFRS 11	Accounting for Acquisitions of Interest in Joint Operations [1]
IFRS 14	Regulatory Deferral Accounts [5]
IFRS 15	Revenue from Contracts with Customers [3]
IFRS 16	Leases [4]
Amendments to IAS 1	Disclosure Initiative [1]
Amendments to IAS 7	Disclosure Initiative [2]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses [2]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation [1]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants [1]
Amendments to IAS 27 (2011)	Equity Method in Separate Financial Statements [1]
Annual Improvements 2012- 2014 Cycle	Amendments to a number of IFRSs [1]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2017
[3] Effective for annual periods beginning on or after 1 January 2018
[4] Effective for annual periods beginning on or after 1 January 2019
[5] Effective for an entity that first adopt IFRSs for its annual financial statements beginning on and after 1 January 2016 and therefore is not applicable to the Group.

IFRS 9 *Financial Instruments*

In September 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Accounting standards issued but not yet effective (cont'd)

Amendments to IFRS 10 and IAS 28 (2011): *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Accounting standards issued but not yet effective (cont'd)

IFRS 14 *Regulatory Deferral Accounts*

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of comprehensive income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16 *Leases*

IFRS 16 requires lessees to recognise for most leases, a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. The new standard is effective for annual periods beginning on or after 1 January 2019.The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities and gearing ratio.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Accounting standards issued but not yet effective (cont'd)

Amendments to IAS 1 *Disclosure Initiative*

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

– The materiality requirements in IAS 1

– That specific line items in the statement(s) of profit or loss and Other Comprehensive Income ("OCI") and the statement of financial position may be disaggregated

– That entities have flexibility as to the order in which they present the notes to financial statements

– That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IAS 7

In January 2016 the IASB published Amendments to IAS 7. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments are not expected to have any significant impact on the financial statements or performance of the Group upon adoption on 1 January 2017.

Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Accounting standards issued but not yet effective (cont'd)

Annual Improvements *2012-2014 Cycle*

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 *Financial Instruments: Disclosures*

(i) *Servicing contracts*

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) *Applicability of the amendments to IFRS 7 to condensed interim financial statements*

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 *Employee Benefits*

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 *Interim Financial Reporting*

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. These amendments are not expected to have any impact on the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Business combinations and goodwill (cont'd)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated statement of income and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assets of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Related parties (cont'd)

(b) An entity is related to the Company if any of the following conditions applies:

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) the entity is controlled or jointly-controlled by a person identified in (a); or
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) the entity, or any member of a group of which it is a part; provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, plant and equipment and depreciation (cont'd)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Building	1.48%
Plant and machinery	6% to 10%
Renovation	9% to 33.33%
Office equipment, furniture and fittings	18% to 33.33%
Computers	18% to 33.33%
Motor vehicles	9% to 20%

Assets under construction are not depreciated as these assets are not yet available for use.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leases (cont'd)

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include trade and other receivables, amounts due from related parties, pledged deposits, and cash and cash equivalents.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or loss. The loss arising from impairment is recognised in profit or loss in other expenses.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derecognition of financial assets (cont'd)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of financial assets (cont'd)

Financial assets carried at amortised cost (cont'd)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related parties, redeemable convertible loan, and interest-bearing bank and overdrafts and finance leases payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities (cont'd)

Redeemable convertible loan

The component of redeemable convertible loan that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of redeemable convertible loan, the fair value of the liability component is determined using a market rate for an equivalent non-convertible loan; and this amount is carried on the amortised cost basis until extinguished on conversion or redemption.

If the conversion option of redeemable convertible loan exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the redeemable convertible loan is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the redeemable convertible loan based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work-in-progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income tax (cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, on the straight-line basis over the specified period of time as further explained in the accounting policy for "Rendering of services" below;

(c) commission income for rendering of services is recognized when the services are rendered;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

(e) rental income, on a time proportion basis over the lease terms; and

(f) dividend income, when the shareholders' right to receive payment has been established.

Rendering of services

Revenue from the rendering of services is recognised on a straight-line basis over the specified period of time as the services are performed by an indeterminate number of acts over a specified period of time as stated in the service contract.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Employee benefits

Defined contribution plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme.

The Group's subsidiaries which operate in Singapore make contributions to the Central Provident Fund ("CPF") scheme in Singapore based on percentage of the employees' basic salaries, a defined contribution pension scheme. CPF contributions are recognised as an expense in the period in which the related service is performed.

The employees of the Group's subsidiaries which operate in the People's Republic of China ("PRC") are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on 20% of the employee's salary and are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The assets of the above contribution schemes are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the schemes.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they are accrued to employees. An accrual is made for the estimated liability for leave as a result of services rendered by employees up to the end of reporting period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders.

Final dividends proposed by the directors are classified as an allocation of retained profits within the equity section of the statement of financial position. Following the implementation of the Hong Kong Companies Ordinance (Cap 622), proposed final dividend are disclosed in note to the financial statement (Note 15).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currencies

The consolidated financial statements are presented in Hong Kong dollar which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

The functional currencies of certain overseas subsidiaries and joint ventures are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the Hong Kong dollar at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollar at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollar at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollar at the weighted average exchange rates for the year.

Share-based payments

Senior executives of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based payments (cont'd)

That cost is recognised in employee benefits expense, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of comprehensive income expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expening of an award unless there are also service and/or performance obligations.

No expense is recognised for awards that do not ultimately vest because no-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 16)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Impairment of assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

(b) Determination of functional currencies

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(c) Income taxes

Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities/(assets) for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

Judgements (cont'd)

(d) Revenue recognition

The Group recognizes revenue of its equipment on a gross basis as compared to net basis for equipment which the Group has entered into several distributorship agreements to source customers, customize and trade such equipment. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that revenue should be recognized on a gross basis. In making this judgment, the Group evaluates, among other factors, whether the Group has discretions in the selection of suppliers and setting of selling price, bears credit and inventory risks and whether the Group is the primary obligor in the arrangement.

(e) Withholding tax provision on profit appropriation

The Group provides for withholding taxes of 5% on its PRC subsidiaries' distributable profits generated from 1 January 2008 onwards in compliance with the PRC Corporate Tax Law. The Group has provided for such withholding taxes on the basis that the Group is expected to appropriate substantially the profits which the PRC subsidiaries generate in the foreseeable future. As at 31 December 2015, the amounts provided were HK$762,000 (2014: HK$800,000).

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill is disclosed in Note 18 to the financial statements.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

(a) Precision engineering solutions projects – relates to provision of industrial solutions specific to machine tools and industrial machinery and equipment encompassing conceptualization and design to production set-up, commissioning and maintenance of production lines.

(b) Sales of Computer Numeric Control ("CNC") machining centres – relates to sales of precision engineering manufacturing equipment operable under CNC automation.

(c) Sales of components and parts – relates to sales of self-manufactured and trading of components and parts.

(d) After-sales technical support services – relates to provision of repairs and maintenance services for the above segments.

(e) Renewable energy solutions – relates to sales of self-manufactured and trading of solar photovoltaic modules and panels.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, dividend income, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, an amount due to related company, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

5. OPERATING SEGMENT INFORMATION (cont'd)

Year ended 31 December 2015	Precision engineering solutions projects *HK$'000*	Sales of CNC machining centres *HK$'000*	Sales of components and parts *HK$'000*	After-sales technical support services *HK$'000*	Renewable energy solutions *HK$'000*	Total *HK$'000*
Segment revenue						
Sales to external customers	2,357,043	59,265	29,318	5,014	5,006	2,455,646
Intersegment sales	–	–	671	3,150	–	3,821
	2,357,043	59,265	29,989	8,164	5,006	2,459,647
Reconciliation						
Elimination of intersegment sales						(3,821)
Revenue						2,455,646
Segment results	399,200	12,181	1,812	5,898	(6,811)	412,280
Reconciliation						
Interest income						28
Unallocated other income and gains						3,168
Corporate and other unallocated expenses						(92,329)
Finance costs						(48,207)
Share of profit of joint ventures						1,205
Profit before tax						276,145
Income tax expense						(55,916)
Profit for the year from continuing operations						220,229
Segment assets	1,374,348	31,212	13,473	5,421	16,820	1,441,274
Reconciliation						
Corporate and other unallocated assets						1,310,072
Total assets						2,751,346
Segment liabilities	675,914	13,041	8,481	1,434	1,456	700,326
Reconciliation						
Corporate and other unallocated liabilities						539,859
Total liabilities						1,240,185
Other segment information						
Depreciation – continuing operations	–	–	(957)	–	(1,865)	(2,822)
Capital expenditure- continuing operations*	–	–	–	–	(11,977)	(11,977)

* Capital expenditure relates to addition of property, plant and equipment.

5. OPERATING SEGMENT INFORMATION (cont'd)

Year ended 31 December 2014	Precision engineering solutions projects HK$'000	Sales of CNC machining centres HK$'000	Sales of components and parts HK$'000	After-sales technical support services HK$'000	Renewable energy solutions HK$'000	Total HK$'000
Segment revenue						
Sales to external customers	1,304,871	260,259	51,887	23,925	13,661	1,654,603
Intersegment sales	–	–	–	–	9,370	9,370
	1,304,871	260,259	51,887	23,925	23,031	1,663,973
Reconciliation						
Elimination of intersegment sales						(9,370)
Revenue						1,654,603
Segment results	181,444	105,931	5,247	6,581	(1,027)	298,176
Reconciliation						
Interest income						16
Unallocated other income and gains						2,674
Corporate and other unallocated expenses						(56,115)
Finance costs						(18,094)
Share of profit of joint ventures						2,071
Profit before tax						228,728
Income tax expense						(41,821)
Profit for the year from continuing operations						186,907
Segment assets	701,158	119,805	27,795	9,972	19,431	878,161
Reconciliation						
Corporate and other unallocated assets						807,803
Total assets						1,685,964
Segment liabilities	456,875	70,799	12,706	6,050	6,660	553,090
Reconciliation						
Corporate and other unallocated liabilities						170,701
Total liabilities						723,791
Other segment information						
Depreciation – continuing operations	–	–	(975)	–	(184)	(1,159)
Capital expenditure- continuing operations*	–	–	(4,653)	–	(5,885)	(10,538)

* Capital expenditure relates to addition of property, plant and equipment.

5. OPERATING SEGMENT INFORMATION (cont'd)

Reconciliation of other segment information

	2015	2014
	HK$'000	*HK$'000*
Depreciation and amortization		
Directly attributable to operating segments	**(2,822)**	(1,159)
Attributable to discontinued operations	**–**	(1,191)
Corporate and other unallocated depreciation and amortization costs	**(2,402)**	(1,824)
Total depreciation and amortization costs	**(5,524)**	(4,174)
Capital expenditure		
Directly attributable to operating segments	**(11,977)**	(10,538)
Attributable to discontinued operations	**–**	(444)
Corporate and other unallocated capital expenditure	**(408)**	(1,835)
Total capital expenditure	**12,385**	(12,817)

Geographical information

The Group's revenues from external customers by geographical locations are as follows:

	2015		2014	
	HK$'000	**%**	*HK$'000*	%
Asia Pacific region:				
PRC	**185,242**	**7.5**	317,704	19.2
Singapore	**112,162**	**4.6**	105,057	6.4
Indonesia	**277,439**	**11.3**	238,630	14.4
Malaysia	**322,955**	**13.2**	282,910	17.1
Thailand	**930,905**	**37.9**	343,221	20.7
India	**612,568**	**24.9**	332,263	20.1
Hong Kong	**2,326**	**0.1**	1,645	0.1
Others	**42**	**N.m.**	14,352	0.9
Europe	**12,007**	**0.5**	18,821	1.1
Total	**2,455,646**	**100.0**	1,654,603	100.0

N.m. Not meaningful

5. OPERATING SEGMENT INFORMATION (cont'd)

The Group's non-current assets (other than goodwill) by geographical locations are as follows:

	2015	2014
	HK$'000	*HK$'000*
PRC	**20,187**	22,703
Singapore	**86,210**	138,658
Malaysia	**15,523**	7,866
Switzerland	**5**	7
	121,925	169,234

Information about major customers

During the year ended 31 December 2015, Siam Technos Co. Ltd (2015:23.5%, 2014: 12.4%,), Wuxi Best Precision Machinery Co. Ltd (2015: 7.1%, 2015: 19.1%), Welea Solution (M) Sdn Bhd (2015: 12.5%, 2014: 13.7%), Emerald Machines Pvt Ltd (2015: 17.3%, 2014: 13%) and Japan Machine Tools Asia Co., Ltd (2015: 14.5%, 2014: 8.4%) of the Group's total revenue for the year ended 31 December 2015.

6. DISCONTINUED OPERATIONS

On 28 August 2014, the Group publicly announced the Group's intention to dispose its cement production equipment business segment (consist of FNW International Limited, Honor Well Group Holding Limited and Tianjin FeiSiTe Machinery Co., Ltd (collectively known as the "FNW Group")) and has executed a sale and purchase agreement. Their results are presented separately on statement of comprehensive income as "Loss from discontinued operation,net of tax". The disposal of cement production equipment business segment was completed on 23 December 2014.

The results of the discontinued operation are presented below:

	2014
	HK$'000
Revenue	39,433
Expenses	(29,432)
Finance costs	(23)
Profit before tax from discontinued operations	9,978
Gain on disposal of discontinued operations	109,539
Taxation	(2,002)
Profit for the period from discontinued operations	117,515

6. DISCONTINUED OPERATIONS (cont'd)

The value of assets and liabilities of FNW Group as at 23 December 2014, and the cash flow effects of the disposal were:

	2014 *HK$'000*
Assets	
Property, plant and equipment	8,126
Goodwill	31,776
Trade receivables	42,218
Other receivables	170,842
Inventories	3,048
Cash and cash equivalent	6,995
	263,005
Liabilities	
Trade payables	(28,460)
Other payables*	(191,919)
Tax payables	(2,873)
Deferred tax	(13,191)
Net assets disposed off	26,562
Gain on disposal	109,539
Realisation of foreign translation reserve	(759)
Other payables due to the Group	124,658
Total consideration	260,000
Deposit received on disposal of subsidiaries	20,020
Cash and cash equivalents of the subsidiaries	(6,995)
Net cash inflow on disposal of subsidiaries	13,025

The net cash flows incurred by the discontinued business segment are as follows:

	2014 *HK$'000*
Operating activities	(11,359)
Investing activities	(36)
Financing activities	(22)
Net cash outflow	(11,417)

* Included in other payables is the outstanding non-trade amounts due from FNW Group to the Group amounting to approximately HK$127.4 million.

6. DISCONTINUED OPERATIONS (cont'd)

Earnings per share (HK cents):	
Basic, from the discontinued operations	19.06
Diluted, from the discontinued operations	17.64

The calculations of basic and diluted earnings per share from the discontinued operations are based on:

	2014 *$'000*
Profit for the year attributable to Owners of the Company	117,515
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *(note 16)*	616,417
Weighted average number of ordinary shares used in the diluted earnings per share calculation *(note 16)*	666,347

7. BUSINESS COMBINATION

Acquisition of Sun M Energy Pte Ltd and its subsidiary

On 17 April 2014, the Group acquired 100% of the voting shares of Sun M Energy Pte Ltd and its subsidiary, Sun M Energy Sdn Bhd (collectively known as the "Sun M Group") which based in Singapore and Malaysia respectively. The Sun M Group specialises in the manufacture of solar components. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of the Sun M Group from the acquisition date. The fair values of the identifiable assets and liabilities of the Sun M Group as at the date of acquisition were:

	2014 *HK$'000*
Assets	
Property, plant and equipment	4,598
Cash	634
Trade receivables	1,893
Other receivables	1,108
	8,233

7. BUSINESS COMBINATION (cont'd)

Acquisition of Sun M Energy Pte Ltd and its subsidiary (cont'd)

	2014
	HK$'000
Liabilities	
Trade payables	41
Other payables and accrued expenses	13,991
	14,032
Total identifiable net liabilities at fair value	(5,799)
Goodwill	5,799
Purchase consideration transferred	N.m.
Analysis of cash flows on acquisition	
Net cash acquired with the subsidiary (included in cash flow from investing activities)	634
Cash paid	N.m.
Net cash outflow	634

N.m. Not meaningful

The purchase price allocation for the acquisition of the Sun M Group in the financial year ended 31 December 2014 was provisional. In 2015, the purchase price allocation was completed and the goodwill amount was finalized at HK$5,799,000, which is the same as the provisional amount recognised in 2014.The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Sun M Group with those of the Group. The goodwill is not deductible for income tax purposes.

8. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered during the year. An analysis of revenue, other income and gains is as follows:

	2015	2014
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**2,450,632**	1,630,678
Rendering of services	**5,014**	23,925
	2,455,646	1,654,603
Other income		
Bank interest income	**28**	16
Government subsidy	**216**	357
Others	**71**	64
Reversal of long overdue creditor	**1,702**	1,436
Consultancy fee income	**1,179**	–
Commission for project	**–**	817
	3,196	2,690

9. ADMINISTRATIVE EXPENSES

Administrative expenses include:

	2015	2014
	HK$'000	*HK$'000*
Share option expenses	**18,106**	2,051
Legal and professional fees	**6,331**	5,826
Auditors' remuneration	**3,131**	3,045
Amounts due from joint ventures written off	**–**	2,200
Allowance for doubtful debt	**49**	–
Rental expenses	**8,851**	6,822

10. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest on finance leases	**797**	342
Bank overdraft interest and charges	**38**	66
Letter of credit and trust receipt charges	**24,327**	16,559
Bank and other finance charges	**791**	915
Interest on bank loans wholly repayable within five years	**–**	212
Interest on redeemable preference shares	**5,655**	–
Interest on note issued	**16,599**	–
	48,207	18,094

11. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

The Group's profit before tax from continuing operations is arrived at after charging:

	2015	2014
	HK$'000	*HK$'000*
Cost of inventories sold	**2,035,495**	1,350,812
Depreciation and amortisation*	**5,524**	2,983
Net foreign exchange loss	**9,160**	2,908
Employee benefits expenses (including directors' remuneration)**	**46,348**	25,715
Minimum lease payments recognised as an operating lease#	**9,982**	7,875

* These amounts are included in "Cost of sales" of HK$3,260,000 (2014: HK$1,480,000) and "Administrative expenses" of HK$2,264,000 (2014: HK$1,503,000) in the consolidated statement of comprehensive income.

** This amount includes contribution to retirement benefits schemes of HK$2,651,000 (2014: HK$2,307,000) and share option expense of HK$18,106,000 (2014: HK$2,051,000).

These amounts are included in "Cost of sales" of HK$2,871,000 (2014: HK$2,513,000) and "Administrative expenses" of HK$7,111,000 (2014: HK$5,362,000) in the consolidated statement of comprehensive income.

12. INCOME TAX EXPENSE

	2015	2014
	HK$'000	*HK$'000*
Current tax:		
– Current year	**58,155**	41,847
– Over provision in respect of previous year	**(2,239)**	–
	55,916	41,847
Deferred tax *(Note 29)*:		
– Over provision in respect of previous year	**–**	(26)
Income tax attributable to continuing operations	**55,916**	41,821

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Taxes on profits assessable in Singapore, Hong Kong and the PRC have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

Hong Kong income tax

The corporate income tax rate applicable to Hong Kong company of the Group was 16.5% for the year ended 31 December 2015 (2014: 16.5%).

The actual income tax payable for assessable profits arising from Hong Kong is generally determined and agreed with the Hong Kong Inland Revenue Department, which might be different from the income tax provision as provided in these financial statements.

Singapore income tax

The corporate income tax rate applicable to Singapore companies of the Group was 17% for the year ended 31 December 2015 (2014: 17%).

PRC income tax

Pursuant to the PRC Corporate Income Tax Law, a 5% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by its subsidiary established in the PRC in respect of earnings generated from 1 January 2008.

12. INCOME TAX EXPENSE (cont'd)

Malaysia income tax

The corporate income tax rate applicable to Malaysia company of the Group was 25% for the year ended 31 December 2015. There was no assessable profits derived from or earned in Malaysia for the year ended 31 December 2015.

The major tax concessions applicable to the joint venture established in the PRC are as follows:

Name of joint venture	Details of tax concessions
KIWA-CW Machine Manufacturing (Shanghai) Co., Ltd.	KIWA-CW Machine Manufacturing (Shanghai) Co., Ltd. is a foreign invested enterprise (FIE) which engages in manufacturing. It has tax concession as a high-technology company for the year ended 31 December 2014, and 31 December 2015 and therefore, it is subject to corporate income tax at a reduced rate of 15%.

The reconciliation between tax expense and the product of accounting profits multiplied by the applicable corporate tax rates are as follows:

	2015	2014
	HK$'000	*HK$'000*
Profit before tax from continuing operations	**276,145**	228,728
Tax at the domestic rates applicable to profits in the countries where the Group operates	**44,532**	38,078
Expenses not deductible for tax	**11,247**	2,237
Overprovision in respect of previous year	**(2,239)**	(26)
Income not subject to tax	**(1,164)**	(382)
Effect of tax incentives	**(259)**	(708)
Deferred tax assets not recognised	**3,565**	3,128
Others	**234**	(506)
Income tax expense for the year	**55,916**	41,821

13. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to section 383(1)(a) Hong Kong Companies Ordinance (Cap.622) and Part 2 of the Companies (Disclosure of Information about Benefit of Directors) Regulation, is as follows:

	2015	2014
	HK$'000	*HK$'000*
Fees	**984**	858
Other remuneration:		
– Salaries and bonuses	**5,239**	5,058
– Equity-settled share option expense	**12,296**	1,393
– Retirement benefit scheme contributions	**238**	240
	18,757	7,549

During the year ended 31 December 2014, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in Note 37 and 38 to the financial statements. The fair value of such options, which has been recognised in the statement of comprehensive income over the vesting period, was determined as at the date of grant and the amount is included in the above directors' and remuneration disclosures.

(a) Independent non-executive directors

The fees of the independent non-executive directors during the year are as follows:

	2015	2014
	HK$'000	*HK$'000*
Mr. Kuan Cheng Tuck	**422**	368
Mr. Ong Su Aun, Jeffrey (Wang Ci'An, Jeffrey)	**281**	245
Mr. Chan Hon Chung, Johnny	**281**	245
	984	858

13. DIRECTORS' REMUNERATION (cont'd)

(b) Executive directors

In respect of individuals, who act as executive directors of the Company as at the date of this report, the remuneration received or receivable from the Group during each of the years ended 31 December 2015 and 2014 is as follows:

	Salaries	Bonuses	Equity-settled share options expenses	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2015					
Mr. Wong Koon Lup	**1,886**	**240**	**5,590**	**84**	**7,800**
Mr. Wong Mun Sum	**1,397**	**170**	**4,471**	**65**	**6,103**
Mr. Lee Tiang Soon	**1,376**	**170**	**2,235**	**89**	**3,870**
	4,659	**580**	**12,296**	**238**	**17,773**
Year ended 31 December 2014					
Mr. Wong Koon Lup	1,911	147	633	76	2,767
Mr. Lim Chwee Heng	1,396	104	507	88	2,095
Mr. Wong Mun Sum	1,396	104	253	76	1,829
	4,703	355	1,393	240	6,691

During the years ended 31 December 2015 and 2014, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any remuneration during the years ended 31 December 2015 and 2014.

14. FIVE HIGHEST PAID EMPLOYEES

The five employees with the highest remuneration in the Group for the years ended 31 December 2015 and 2014 were as follows:

	2015	2014
	HK$'000	*HK$'000*
Directors	**17,773**	6,691
Employees	**5,395**	2,966
	23,168	9,657

14. FIVE HIGHEST PAID EMPLOYEES (cont'd)

The five highest paid employees for the year ended 31 December 2015 include three directors (2014: 3), details of whose remuneration are set out in Note 13 above. Details of the remaining two non-director (2014: 2), highest paid employees for the years ended 31 December 2015 and 2014 were as follows:

	2015	2014
	HK$'000	*HK$'000*
Salaries	**2,290**	2,352
Bonuses	**273**	171
Equity-settled share option expenses	**2,682**	304
Retirement benefit scheme contributions	**150**	139
	5,395	2,966

The number of non-director, highest paid employee whose remuneration fell within the following bands is as follows:

	2015	2014
	HK$'000	*HK$'000*
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**–**	–
	2	2

During the years ended 31 December 2015 and 2014, share options were granted to a non-director highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in Note 38 to the financial statements. The fair value of such options, which has been recognised in the statement of comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director highest paid employees' remuneration disclosures.

During the years ended 31 December 2015 and 2014, no remuneration was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the five highest paid individuals has waived any remuneration during the years ended 31 December 2015 and 2014.

15. DIVIDENDS

Final dividend of HK2.36 cents per share is recommended by the Directors of the Company for the year ended 31 December 2015 (2014: HK2.36 cents per share) amounting to HK$17.0 million. The proposed final dividend is subject to the approval of the shareholders at the AGM.

16. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Continuing operations

Basic earnings per share from continuing operations are calculated by dividing profit from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share from continuing operations are calculated by dividing profit from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	2015 ***$'000***	2014 *$'000*
Profit for the year attributable to owners of the Company	**220,229**	304,422
Less: Profit from discontinued operations, net of tax	**–**	(117,515)
Profit from continuing operations, net of tax	**220,229**	186,907

	No. of shares ***'000***	No. of shares *'000*
Weighted average number of ordinary shares for basic earnings per share computation	**631,963**	616,417
Effects of dilution		
– Share options	**17,816**	49,930
Weighted average number of ordinary shares for diluted earnings per share computation	**649,779**	666,347

(b) Earnings per share computation

The basic and diluted earnings per share are calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares for diluted earnings per share computation respectively. These profit and share data are presented in the tables in Note 16(a) above.

17. PROPERTY, PLANT AND EQUIPMENT

	Building HK$'000	Plant and machinery HK$'000	Renovation HK$'000	Office equipment, furniture and fittings HK$'000	Computers HK$'000	Motor vehicles HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost								
At 1 January 2015	–	35,429	6,803	4,613	1,913	2,152	–	50,910
Exchange differences	–	(3,663)	(588)	(459)	(161)	(119)	–	(4,990)
Additions	–	11,977	87	105	216	–	–	12,385
Disposal	–	–	(182)	–	–	–	–	(182)
At 31 December 2015	–	43,743	6,120	4,259	1,968	2,033	–	58,123
Accumulated depreciation								
At 1 January 2015	–	3,944	3,622	3,526	1,241	1,633	–	13,966
Exchange differences	–	(484)	(291)	(274)	(113)	(98)	–	(1,260)
Charge for the year	–	4,354	534	154	373	109	–	5,524
Disposal	–	–	(9)	–	–	–	–	(9)
At 31 December 2015	–	7,814	3,856	3,406	1,501	1,644	–	18,221
Carrying amount								
At 31 December 2015	–	35,929	2,264	853	467	389	–	39,902

17. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Building HK$'000	Plant and machinery HK$'000	Renovation HK$'000	Office equipment, furniture and fittings HK$'000	Computers HK$'000	Motor vehicles HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost								
At 1 January 2014	5,680	19,314	6,526	3,889	1,955	9,317	11,779	58,460
Exchange differences	(20)	(1,443)	(343)	(258)	(117)	(257)	(81)	(2,519)
Arising on acquisition of subsidiary	–	2,152	1,450	1,088	110	–	–	4,800
Additions	–	8,558	209	112	796	444	185	10,304
Written off	–	–	(194)	–	(18)	–	–	(212)
Disposal	(1,108)	–	–	–	–	–	–	(1,108)
Attributable to disposal of subsidiaries	(4,552)	(5,035)	(845)	(218)	(813)	(7,352)	–	(18,815)
Reclassification/adjustment	–	11,883	–	–	–	–	(11,883)	–
At 31 December 2014	–	35,429	6,803	4,613	1,913	2,152	–	50,910
Accumulated depreciation								
At 1 January 2014	267	5,826	2,610	3,634	1,570	7,052	–	20,959
Exchange differences	109	(208)	132	(178)	(79)	(153)	–	(377)
Arising on acquisition of subsidiary	–	21	105	50	26	–	–	202
Charge for the year	–	1,605	779	133	355	111	–	2,983
Charge attributable to discontinued operations	26	226	107	41	87	704	–	1,191
Written off	–	–	(10)	–	(3)	–	–	(13)
Disposal	(290)	–	–	–	–	–	–	(290)
Attributable to disposal of subsidiaries	112	(3,526)	(101)	(154)	(715)	(6,081)	–	(10,689)
At 31 December 2014	–	3,944	3,622	3,526	1,241	1,633	–	13,966
Carrying amount								
At 31 December 2014	–	31,485	3,181	1,087	672	519	–	36,944

At 31 December 2015, the carrying amount of the Group's assets held under finance leases amounted to HK$5,737,000 (2014: HK$6,570,000).

18. GOODWILL

	2015 HK$'000	2014 HK$'000
Cost and carrying amount	**5,197**	5,580
Movement in goodwill account:		
At 1 January	**5,580**	33,497
Arising from acquisition of subsidiary	**–**	5,799
Attributable to disposal of subsidiaries	**–**	(31,776)
Exchange difference	**(383)**	(1,940)
At 31 December	**5,197**	5,580

The carrying amount of goodwill has been allocated to cash-generating units ("CGUs") as follows:

	2015 HK$'000	2014 HK$'000
CW Advanced Technologies Pte. Ltd.	**144**	154
Sun M Energy Pte Ltd	**5,053**	5,426
	5,197	5,580

The recoverable amounts of the above CGUs were determined based on value-in-use calculations which use cash flow projections based on financial budgets approved by the management for the next financial year, and discount rates 17% (2014: 17%) per annum for those financial years reported. This growth rate did not exceed the average long-term growth rate for the relevant markets.

Management estimated discount rates using pre-tax rates that reflected current market assessments of the time value of money and the risks specific to the CGUs. The growth rates were based on industry growth forecasts. Changes in selling prices and direct costs were based on past practices and expectations of future changes in the relevant markets.

19. INVESTMENT IN JOINT VENTURES

	2015 HK$'000	2014 HK$'000
Investment, at cost	**8,182**	8,182
Share of post-acquisition reserves	**4,071**	4,108
	12,253	12,290

19. INVESTMENT IN JOINT VENTURES (cont'd)

Particulars of the joint ventures are as follows:

Name of entity	Legal form and place of incorporation/ establishment/ operations	Percentage of ownership interest and voting power held		Principal activities
		2015	2014	
		%	%	
KIWA-CW Machine Manufacturing Pte. Ltd.	Limited private company Singapore	**50**	50	Investment holding
紀和機械製造（上海）有限公司 KIWA-CW Machine Manufacturing (Shanghai) Co., Ltd. (1)	Wholly owned foreign enterprise PRC	**50**	50	Manufacturing and trading of CNC machining centres

(1) The English translation of the company name is for reference only. The official name of the company is in Chinese.

The summarised financial information of the joint ventures, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	2015	2014
	HK$'000	*HK$'000*
Cash and cash equivalents	**5,041**	11,728
Other current assets	**25,449**	20,160
Current assets	**30,490**	31,888
Non-current assets	**12,513**	14,912
Financial liabilities, excluding trade and other payables	**–**	–
Other current liabilities	**16,384**	18,808
Current liabilities	**16,384**	18,808
Non-current liabilities	**–**	–
Net assets	**26,619**	27,992

19. INVESTMENT IN JOINT VENTURES (cont'd)

	2015 HK$'000	2014 HK$'000
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the joint venture	**13,310**	13,996
Translation differences	**(1,057)**	(1,706)
Carrying amount of the investment	**12,253**	12,290
Revenue	**67,938**	75,386
Interest income	**49**	40
Depreciation and amortisation	**(2,051)**	(1,910)
Income tax (credit)/expense	**(5)**	44
Profit and total comprehensive income for the year	**2,409**	4,140

20. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	**1,187**	447
Work-in-progress	**308**	135
Finished goods	**1,807**	2,198
Inventories	**3,302**	2,780
Movement in allowance accounts:		
At 1 January	**388**	426
Attributable to disposal of subsidiaries	**–**	(18)
Translation differences	**(27)**	(20)
At end of the year	**361**	388

21. TRADE RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	**1,058,956**	677,268
Less: Impairment	**(240)**	(207)
	1,058,716	677,061
Trade receivables from joint venture company	**–**	174
Accrued revenue	**354,456**	180,993
	1,413,172	858,228

The Group's trading terms with its customers are mainly on credit except for certain new customers where payment in advance is required. The average trade credit period ranged from 30 days to 360 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly and actively monitored by senior management to minimise credit risk. Trade receivables are non-interest bearing.

Accrued revenue represents amounts due from customers with respect to machinery and equipment delivered to customers or where customers have taken over the ownership of the equipment for which billings have not been performed.

Included in the trade receivables of HK$154,447,000 (2014: HK$121,082,000) have been pledged to secure the Group's trade financing and bill payables as set out in Note 26.

The following is an aged analysis of the Group's trade receivables (net of allowance for doubtful debts and excluding accrued revenue) presented based on invoice date:

	2015 HK$'000	2014 HK$'000
0 to 90 days	**469,191**	426,014
91 to 180 days	**517,662**	208,427
181 to 360 days	**71,401**	20,240
Over 360 days	**462**	22,380
	1,058,716	677,061

21. TRADE RECEIVABLES (cont'd)

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2015	2014
	HK$'000	*HK$'000*
Past due but not impaired		
– Less than 3 months past due	**306,207**	190,484
– 3 months to 6 months past due	**32,771**	13,111
– 6 months to 12 months past due	**755**	23,996
– More than 12 months past due	**346**	461
	340,079	228,052
Neither past due nor impaired	**718,637**	449,009
Total trade receivables (net of allowance for doubtful debts and excluding accrued revenue)	**1,058,716**	677,061

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

21. TRADE RECEIVABLES (cont'd)

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The Group's trade receivables that are impaired at the end of the years ended 31 December 2015 and 2014 and the movement of the allowance accounts used to record the impairment are as follows:

	2015	2014
	HK$'000	*HK$'000*
Trade receivables – nominal amounts	**240**	207
Less: Allowance for impairment	**(240)**	(207)
At 31 December	**–**	–
Movement in allowance accounts:		
At 1 January	**207**	344
Addition	**49**	–
Attributable to disposal of subsidiaries	**–**	(127)
Exchange differences	**(16)**	(10)
At 31 December	**240**	207

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

Included in trade receivables were the following amounts denominated in currencies other than the functional currencies of the relevant group companies:

	2015	2014
	HK$'000	*HK$'000*
Singapore dollar	**116**	163
United States dollar	**2,522**	12,265
Euro	**59**	9,366
Japanese yen	**356**	1,459

22. OTHER RECEIVABLES (CURRENT)

	2015 HK$'000	2014 HK$'000
Other receivables	**113,760**	150,830
Deposits	**2,790**	2,348
Prepayments for expenses	**1,813**	11,493
Deposit to Escrow fund	**283,224**	–
Prepayments to suppliers	**356,001**	400,197
Amount due from joint venture	**5,257**	4,205
	762,845	569,073
Other receivables (non-current):		
Other receivables	**–**	120,000
Prepayment for patents and trademarks	**69,770**	–
	69,770	120,000
Total other receivables (current and non-current)	**832,615**	689,073

Included in other receivables are amounts of approximately HK$113,000,000 (2014: HK$240,000,000) relating to the remaining proceeds receivable from the acquirer of the subsidiaries as described in Note 6 and HK$5,257,000 (2014: HK$4,205,000) due from related parties. The amounts due from related parties, subsidiaries and joint venture company were unsecured, interest-free and repayable on demand.

The Group entered into a strategic co-operation with various working partners, who will identify and introduce suitable potential merger and acquisition opportunities in Europe to the Group. As at 31 December 2015, deposit of HK$283,224,000 was paid to an Escrow fund in relation to the potential acquisitions ahead.

Included in other receivables were the following amounts denominated in currencies other than the functional currencies of the relevant group companies:

	2015 HK$'000	2014 HK$'000
Singapore dollar	**283,228**	14,814
United States dollar	**178,604**	18,425
Euro	**3,133**	10,677
Japanese yen	**316**	6,509
Chinese Renminbi	**–**	403
Hong Kong dollar	**1,617**	1,959

The Group does not hold any collateral or other credit enhancements over these balances.

23. CASH AND BANK BALANCES

	2015	2014
	HK$'000	HK$'000
Cash on hand	298	42
Bank balances	444,195	80,567
Pledged fixed deposits	412	460
Cash and bank balances	444,905	81,069

Cash at banks earns interest at floating rates based on daily bank deposit rates. Pledged deposits earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Included in bank deposits and cash and bank balances were the following amounts denominated in currencies other than the functional currencies of the relevant group companies:

	2015	2014
	HK$'000	HK$'000
United States dollar	3,119	7,424
Euro	2,588	424
Japanese yen	1,183	127
Hong Kong dollar	201,184	129

24. BANK LOANS AND OVERDRAFTS

	2015	2014
	HK$'000	HK$'000
Bank overdrafts repayable on demand	–	134
Bank loans	2,920	4,295
	2,920	4,429
Carrying amount repayable:		
On demand or within one year	1,431	1,509
Within five years	1,489	2,920

The bank overdrafts bore interest at the prime lending rate of the bank during the year ended 31 December 2015 and 31 December 2014.

The bank loans bore interest at rates 4% per annum at 31 December 2015 (2014: 4%). These bank loans were secured by corporate guarantees given by the Company and subsidiaries of the Company, namely, CW Group Pte. Ltd. and CW Advanced technologies Pte. Ltd.

24. BANK LOANS AND OVERDRAFTS (cont'd)

Included in bank loans and overdrafts were the following amounts denominated in currency other than the functional currencies of the relevant group companies:

	2015	2014
	HK$'000	*HK$'000*
Hong Kong dollar	**2,920**	4,429

25. TRADE PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**47,621**	71,292
Trade payable to joint venture companies	**32**	103
Accrued payables	**11,440**	714
	59,093	72,109

The trade payables is non-interest bearing and are normally settled on 90 days terms.

The following is an aged analysis of the Group's trade payables (excluding bills payable and accrued payables) presented based on invoice date:

	2015	2014
	HK$'000	*HK$'000*
0 to 90 days	**34,707**	34,597
91 to 180 days	**714**	7,001
181 to 360 days	**103**	240
Over 360 days	**12,097**	29,454
	47,621	71,292

Included in trade payables were the following amounts denominated in currencies other than the functional currency of the relevant group companies:

	2015	2014
	HK$'000	*HK$'000*
Singapore dollar	**534**	573
United States dollar	**29**	2,006
Euro	**206**	1,609
Japanese yen	**129**	2,219
Malaysia ringgit	**–**	76

26. TRADE FINANCING AND BILLS

	2015 HK$'000	2014 HK$'000
Trade financing and bills payable	**642,907**	481,416

Trade financing and bills payable were payable to the banks generally mature within 180 days for the years ended 31 December 2015 and 2014.The interest rates were fixed at respective contract dates ranging from 2.81% to 6.00% (2014: 2.01% to 6.50%) per annum.

Included in trade financing and bills payable were the following amounts denominated in currencies other than the functional currency of the relevant group companies:

	2015 HK$'000	2014 HK$'000
United States dollar	**4,503**	17,343
Japanese yen	**2,320**	6,509
Euro	**4,256**	13,374

27. OTHER PAYABLES AND ACCRUALS

	2015 HK$'000	2014 HK$'000
Other payables	**11,942**	9,492
Deposits received	**12,353**	42,406
Accrued expenses	**13,605**	12,368
Dividend payable	**–**	1,851
	37,900	66,117

Included in other payables were the following amounts denominated in currencies other than the functional currencies of the relevant group companies:

	2015 HK$'000	2014 HK$'000
United States dollar	**6,209**	7,968
Euro	**3,634**	1,053
Japanese yen	**–**	2,675
Singapore dollar	**2,644**	1,279
Hong Kong dollar	**2,411**	1,920
Chinese Renminbi	**–**	76

28. FINANCE LEASES PAYABLE

	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**5,128**	5,209	**4,691**	4,561
In the second to fifth years, inclusive	**7,879**	13,045	**7,582**	12,310
Total minimum finance leases payments	**13,007**	18,254	**12,273**	16,871
Less: Future finance charges	**(734)**	(1,383)		
Total net finance leases payable	**12,273**	16,871		
Portion classified as current liabilities			**(4,691)**	(4,561)
Non-current portion			**7,582**	12,310

The Group leased certain of its plant and equipment under finance leases. The average lease term is 4 years (2014: 4 years). Interest rates underlying all obligations under finance leases were fixed at respective contract dates ranging from 4% to 9.38% per annum (2014: 3.50% to 9.38%. All leases were on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations were denominated in the functional currencies of the respective entities.

The Group's obligations under finance leases were secured by the charge over the leased assets.

29. DEFERRED TAX

At the end of the years ended 31 December 2015 and 2014, the Group has tax cumulative losses of approximately HK$31,399,000 and HK$15,221,000 respectively, that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognized due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

The following are the deferred tax liabilities recognised and movements thereon during the years ended 31 December 2015 and 2014:

	Differences in depreciation for tax purposes	**Undistributed profits of PRC subsidiaries**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2014	(69)	(13,705)	(13,774)
Exchange differences	–	(312)	(312)
Charge to profit or loss during the year *(Note 12)*	–	26	26
Attributable to disposal of subsidiary	69	13,191	13,260
At 31 December 2014 and 1 January 2015	–	(800)	(800)
Exchange differences	–	38	38
At 31 December 2015	**–**	**(762)**	**(762)**

Pursuant to the PRC Corporate Income Tax Law, withholding tax is levied on dividends declared to foreign investor in respect of profits earned by the PRC subsidiary effective from 1 January 2008. Deferred taxation has been provided for in the consolidated statement of financial position in respect of temporary differences attributable to the undistributed profits earned by CW International (Shanghai) Co., Ltd.

30. SHARE CAPITAL

	2015 HK$'000	2014 HK$'000
Authorised share capital:		
10,000,000,000 shares of HK$0.01 per share	**100,000**	100,000

The summary of the movements in the Company's share capital is as follows:

	No of shares	*HK$'000*
Issued and fully paid share capital:		
At 1 January 2015	**616,417,000**	6,164
Subscription shares	**93,781,682**	938
Share options exercised *(Note 38)*	**8,794,215**	88
At 31 December 2015	**718,992,897**	7,190

Subscription shares

On 16 August 2015, the Company announced that it had entered into a subscription agreement (the "Subscription Agreement") with Zhejiang Hua Hang Investment Co., Ltd (浙江華航投資有限公司) to issue a maximum of approximately 93.8 million subscription shares (the "Subscription Share") at the price of HK$3.63 per share, representing approximately 13.04% of its issued capital as enlarged by the subscription (the "Subscription"). The aggregate proceeds of the Subscription Shares was approximately HK$340.4 million.

The share subscription was completed on 17 November 2015.

31. REDEEMABLE PREFERENCE SHARES

On 27 June 2014, CW Group Pte Ltd, an indirect wholly-owned subsidiary of the Company, entered into an investment agreement to issue 5,000,000 unit of redeemable preference shares for a consideration of S$5,000,000 (approximately HK$31,075,000). CW Group Pte Ltd shall redeem all (and not part only) of the preference shares on or before the maturity date of 31 October 2015 at a price of S$ 1.20 per share. The effective interest rate of the redeemable preference shares is approximately 14.9% per annum. In the event CW Group Pte Ltd shall declare, pay or set aside any dividends on shares of any other classes of shares in accordance with the Memorandum and Article of Association, the preference shares holder shall simultaneously receive a dividend on each preference shares of an amount computed based on the formula stipulated in the investment agreement.

The Company has provided corporate guarantee to the preference shares holder in respect of all the obligations of CW Group Pte Ltd under the investment agreement.

The Company has redeemed all 5,000,000 redeemable preference shares at a total consideration of S$6,000,000 on 2 November 2015.

32. NOTES ISSUED

Notes issued related to fixed rate notes amounting to S$75,000,000 (approximately HK$408,497,000) issued by CW Advanced Technologies Pte. Ltd. on 25 June 2015 under the Multicurrency Debt Issuance Programme (the "Notes"). These Notes bear fixed interest rate at 7% per annum (effective interest rate of 7.2% per annum), secured through corporate guarantee by CW Group Holdings Limited and mature on 25 June 2018. The net proceeds of approximately S$72,882,000 (approximately HK$ 396,962,000) arising from the issue of the Notes under the Programme will be used for general corporate purposes, including refinancing of existing borrowings, general working capital requirements, investments (including mergers and acquisitions) and/or capital expenditure requirements of the Groups.

33. SHARE PREMIUM AND OTHER RESERVES

(a) Share premium

	2015	2014
	HK$'000	*HK$'000*
At 1 January	**421,925**	421,925
Subscription shares	**339,490**	–
Share options exercised	**22,743**	–
At 31 December	**784,158**	421,925

(b) Other reserves

		2015	2014
	Notes	***HK$'000***	*HK$'000*
Statutory reserve	*(i)*	**2,406**	2,406
Foreign currency translation reserve	*(ii)*	**(31,958)**	1,442
Merger reserve	*(iii)*	**(4,709)**	(4,709)
Share option reserve	*(iv)*	**15,706**	2,051
Premium paid for acquisition of non-controlling interest		**(90,012)**	(90,012)
		(108,567)	(88,822)

33. SHARE PREMIUM AND OTHER RESERVES (cont'd)

(b) Other reserves (cont'd)

(i) Statutory reserve

In accordance with the Foreign Enterprise Law applicable to the subsidiaries of the Group in the PRC, the subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the respective subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders.

(ii) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from translation of the financial statements of foreign operations, whose functional currencies are different from the Group's presentation currency.

(iii) Merger reserve

Merger reserve represents the difference between the consideration paid and the share capital of a subsidiary restructured under common control.

(iv) Share option reserve

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provide to employees, including key management personnel, as part of their remuneration. Refer to Note 38 for further details of this plan.

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the years ended 31 December 2015 and 2014.

The capital structure of the Group consists of net debt (which includes amounts due to related companies, and bank and other borrowings, less cash and cash equivalents) and equity attributable to owners of the Company (comprising issued share capital and reserves).

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of the capital. The Group seeks to balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015	2014
	HK$'000	*HK$'000*
Financial assets		
Other receivables (non-current)	**–**	120,000
Trade receivables	**1,413,172**	858,228
Other receivables (current)	**405,031**	277,383
Cash and cash equivalents	**444,905**	81,069
Total loans and receivables	**2,263,108**	1,336,680
Financial liabilities		
Bank loans and overdrafts (current and non-current)	**2,920**	4,429
Trade payables	**59,093**	72,109
Trade financing and bills payable	**642,907**	481,416
Other payables and accruals	**25,534**	23,711
Finance leases payable (current and non-current)	**12,273**	16,871
Redeemable preference shares	**–**	29,240
Notes issued	**398,884**	–
Total liabilities carried at amortised costs	**1,141,611**	627,776

35. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management objectives and policies

The Group has various financial assets and liabilities such as trade and other receivables and trade and other payables which arise directly from its operations. The Group does not hold or issue derivative financial instruments for speculative purposes. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

(i) Foreign exchange risk management

The Group's transacts business in various foreign currencies, including the Singapore dollar, United States dollar, Euro, Chinese Renminbi and Japanese yen and therefore is exposed to foreign exchange risk.

The Group manages its foreign exchange exposure as far as possible by matching the currency that it transact with its customers to the currency that it purchased in to create a natural hedge.

The Group has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. No hedge has been taken up to mitigate this exposure as it does not impact cash flows.

At the reporting date, the carrying amounts of significant monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	2015	2014
	HK$'000	*HK$'000*
Liabilities		
United States dollar	**5,779**	14,101
Euro	**3,840**	2,662
Japanese yen	**129**	4,896
Singapore dollar	**336,539**	33,165
Hong Kong dollar	**2,411**	1,920
Malaysia ringgit	**–**	76
Chinese Renminbi	**–**	76
Assets		
United States dollar	**184,245**	39,359
Euro	**5,780**	20,466
Japanese yen	**1,854**	8,096
Singapore dollar	**410,909**	138,110
Hong Kong dollar	**613,257**	2,088
Swiss franc	**45**	2,147
Chinese Renminbi	**6**	410

35. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(i) Foreign exchange risk management (cont'd)

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase in the relevant foreign currencies against the functional currency of each entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible maximum change in foreign exchange rates of major trading currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates.

If the relevant foreign currency strengthens by 10% against the functional currency of each entity, with all other variables held constant, profit before tax will increase/(decrease) by:

	2015	2014
	HK$'000	*HK$'000*
Impact of:		
United States dollar	**17,847**	2,526
Euro	**194**	1,780
Japanese yen	**173**	320
Singapore dollar	**7,437**	10,495
Hong Kong dollar	**61,085**	17
Swiss franc	**4**	215
Malaysia ringgit	**–**	(8)
Chinese Renminbi	**1**	33

If the relevant foreign currency weakens by 10% against the functional currency of the each entity, the effects on profit or loss will be vice versa.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the years ended 31 December 2015 and 2014.

(ii) Interest rate risk management

Interest rate risk arises from potential changes in interest rates that may have an adverse effect on the Group's results in the years ended 31 December 2015 and 2014 and in future years.

The sensitivity analysis below have been determined based on the exposures to interest rates for significant non-derivatives instruments at the end of each reporting period and the stipulated change taking place at the beginning of each reporting period and held constant throughout the period in the case of instruments that have floating rates.

35. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(ii) Interest rate risk management (cont'd)

At 31 December 2015 and 2014, it is estimated that a 50 basis point increase in interest rates would decrease the Group's profit before tax by approximately HK$17,000 and HK$18,000 respectively.

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure of its counterparties is consistently monitored. Credit exposure is controlled by the counterparty limits that are reviewed and approved by the management on ongoing basis.

The maximum exposure to credit risk in the event that counterparties fail to perform their obligations as at the end of each reporting period in relation to trade receivables is the carrying amount of trade receivables as stated in the consolidated statements of financial position at the end of each reporting period.

The Group manages credit risk by trading only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group has concentration of credit risk in respect of trade receivable as the Group's largest trade receivable amounted to HKD686,488,000 and HKD418,878,000 and represented 64.8% and 61.9% of the total trade receivables respectively as at 31 December 2015 and 2014.

(iv) Liquidity risk management

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. In the management of the liquidity risks, the Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient level of cash to meet its working capital requirement. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

35. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(v) Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	On demand or within 1 year *HK$'000*	**Within 2 to 5 years** *HK$'000*	**Total** *HK$'000*
Group			
31 December 2015			
Bank loans and overdrafts	**1,488**	**1,549**	**3,037**
Trade payables	**59,093**	**–**	**59,093**
Trade financing and bills payable	**642,907**	**–**	**642,907**
Other payables and accruals	**25,534**	**–**	**25,534**
Notes issued	**–**	**479,984**	**479,984**
Finance leases payable	**5,128**	**7,879**	**13,007**

	On demand or within 1 year *HK$'000*	Within 2 to 5 years *HK$'000*	Total *HK$'000*
Group			
31 December 2014			
Bank loans and overdrafts	1,569	3,037	4,606
Trade payables	481,416	–	481,416
Trade financing and bills payable	66,117	–	66,117
Other payables and accruals	23,711	–	23,711
Redeemable preference shares	29,240	–	29,240
Finance leases payable	5,209	13,045	18,254

35. FINANCIAL INSTRUMENTS (cont'd)

(c) Fair value and fair value hierarchy

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Cash and bank balances, trade receivables, current portion of bank loans and overdraft, trade payables, trade financing and bill payable, financial assets included in other receivables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the non-current portion of bank loans and finance leases payables are reasonable approximation of fair values due to that are re-priced to market interest rates on or near balance sheet date.

The fair value of notes issued is included in Level 2 of the fair value hierarchy which is calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities. As at 31 December 2015, the fair value of notes issued has been HK$436,471,000.

36. OPERATING LEASES

(a) Operating leases – as lessee

	2015 ***HK$'000***	2014 *HK$'000*
Minimum lease payments paid under operating leases		
Premises	**9,882**	7,735
Office equipment	**100**	140
	9,982	7,875

At 31 December 2015 and 2014, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises and office equipment which fall due as follows:

	2015 ***HK$'000***	2014 *HK$'000*
Within one year	**8,981**	10,211
In the second to fifth years, inclusive	**5,189**	6,222
	14,170	16,433

(b) Capital commitment

	2015 ***HK$'000***	2014 *HK$'000*
Capital expenditure in respect of acquisition of patents and trademarks:		
– Contracted but not provided	**69,770**	–

37. RELATED PARTY DISCLOSURES

(a) Transactions with related parties

During the years ended 31 December 2015 and 2014, the Group entered into the following significant transactions with related parties:

Relationship/Name of related party/Nature of transaction	2015 HK$'000	2014 HK$'000
Joint ventures		
KIWA-CW Machine Manufacturing (Shanghai) Co., Ltd.		
Purchases of goods	**515**	779
A shareholder of the joint ventures		
Kiwa Machinery Co., Ltd.		
Purchases of goods	**–**	1,629

The directors considered that the above transactions were conducted on normal commercial terms and in the ordinary course of the Group's business.

The related party transactions disclosed in note (a) do not constitute connected transactions or continuing connected transactions that are not exempt from annual reporting requirement in Chapter 14A of the Listing Rules.

37. RELATED PARTY DISCLOSURES (cont'd)

(b) Outstanding balances with related parties

An analysis of the balances with related parties is as follows:

Due from related parties (Trade receivables)

Name of related party	Note	2015 HK$'000	2014 HK$'000
KIWA-CW Machine Manufacturing (Shanghai) Co., Ltd.	*(i)*	**–**	174

Note

(i) Joint ventures.

Due from related parties (Other receivables)

Name of related party	Note	2015 HK$'000	2014 HK$'000
KIWA-CW Machine Manufacturing (Shanghai) Co., Ltd.	*(i)*	**5,257**	4,205
Mr. Wong Koon Lup, a director of the Company		**–**	25
		5,257	4,230

Note

(i) Joint ventures.

The amounts due from related parties were unsecured, interest-free and repayable on demand.

37. RELATED PARTY DISCLOSURES (cont'd)

(b) Outstanding balances with related parties (cont'd)

Due to related parties (Trade payables)

Name of related party	Note	2015 HK$'000	2014 HK$'000
KIWA-CW Machine Manufacturing (Shanghai) Co., Ltd.	*(i)*	**32**	103

Note

(i) Joint ventures.

Due to related parties (Other payables)

Name of related party	2015 HK$'000	2014 HK$'000
Mr. Wong Koon Lup, a director of the Company	**33**	111
Mr. Wong Mun Sum, a director of the Company	**170**	179
	203	290

The amounts due to related parties were unsecured, interest-free and repayable on demand.

(c) Compensation of key management personnel

The remuneration of the Company's directors, who are also identified as members of key management of the Group, are set out in Note 13.

38. SHARE-BASED PAYMENTS

On 17 December 2014 ("Grant Date"), the Group granted 49,929,777 share options (the "Options") to certain eligible participants of the Company (the "Grantees"), subject to acceptance of the Options by the Grantees, to subscribe for a total of 49,929,777 ordinary shares of HK$0.01 each (each a "Share") in the share capital of the Company. The Options shall entitle the Grantees to subscribe for an aggregate of 49,929,777 ordinary shares upon the exercise of the Options in full at an exercise price of HK$2.09 per share. These options expire on 17 December 2019. The contractual term of each option granted is five years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

The expense recognised for employee services received during the year is shown in the following table:

	2015	2014
	HK$'000	*HK$'000*
Expense arising from equity-settled share-based payment transactions	**18,106**	2,051

There was no cancellation or modification to the awards in 2014.

Movement of share options during the financial year

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the financial year:

	2015		2014	
	No.	**WAEP (HK$)**	No.	WAEP (HK$)
Outstanding at 1 January	**49,929,777**	**2.09**	–	–
– Granted	**–**	**–**	49,929,777	2.09
– Exercised	**(8,794,215)**	**2.09**	–	–
Outstanding at 31 December	**41,135,562**	**2.09**	49,929,777	2.09
Exercisable at 31 December	**7,849,044**	**2.09**	–	2.09

– The fair value of options granted was HK$0.54.

– The share price at the date of exercise of the options exercised during the financial year was HK$2.82 (2014: HK$ nil).

– The range of exercise prices for options outstanding at the end of the year was HK$2.09. The weighted average remaining contractual life for these options is 3.96 years (2014: 4.96 years)

38. SHARE-BASED PAYMENTS (cont'd)

Fair value of share options granted

The fair value of the share options granted is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

The total share options granted was split into three tranches. The following tables list the inputs to the model used for the three tranches for the year ended 31 December 2014:

	Tranche 1	**Tranche 2**	**Tranche 3**
Vesting date	1 March 15	1 March 16	1 March 17
Expiry date	17 December 19	17 December 19	17 December 19
Expected dividend yield (%)	0.656	0.656	0.656
Expected volatility (%)	38.44	37.85	43.81
Risk-free interest rate (%)	0.62	0.77	0.94
Expected life of share option (years)	2.6	3.1	3.6
Model used	Binomial	Binomial	Binomial

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015	2014
	HK$'000	*HK$'000*
Non-current assets		
Property, plant and equipment	**23**	–
Investment in subsidiaries	**47**	47
	70	47
Current assets		
Other receivables	**885,013**	195,728
Cash and bank balances	**289**	47
	885,302	195,775
Current liabilities		
Other payables and accruals	**338,588**	28,447
	338,588	28,447
Net current assets	**546,714**	167,328
Total assets less current liabilities	**546,784**	167,375
Net assets	**546,784**	167,375

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (cont'd)

	2015	2014
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**7,190**	6,164
Retained earnings	**(7,361)**	(9,856)
Share premium reserve	**535,867**	173,634
Other reserves	**11,088**	(2,567)
	546,784	167,375

A summary of the Company's reserves is as follows:

	Attributable to owners of the Company				
	Share capital *HK$'000* *(Note 30)*	Accumulated losses *HK$'000*	Share premium reserve *HK$'000*	Other reserves *HK$'000* *(Note 33)*	Total *HK$'000*
Company					
Balance at 1 January 2015	6,164	(9,856)	173,634	(2,567)	167,375
Profit for the year	–	17,250	–	–	17,250
Total comprehensive income for the year	–	17,250	–	–	17,250
Share option exercised	88	–	22,743	(4,451)	18,380
New shares subscription	938	–	339,490	–	340,428
Share option expense	–	–	–	18,106	18,106
Payment of final 2014 dividend	–	(14,755)	–	–	(14,755)
Balance at 31 December 2015	7,190	(7,361)	535,867	11,088	546,784

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (cont'd)

A summary of the Company's reserves is as follows: (cont'd)

	Attributable to owners of the Company				
	Share capital *HK$'000* *(Note 30)*	Accumulated losses *HK$'000*	Share premium reserve *HK$'000*	Other reserves *HK$'000* *(Note 33)*	Total *HK$'000*
Company					
Balance at 1 January 2014	6,164	(15,055)	173,634	(4,618)	160,125
Profit for the year	–	15,678	–	–	15,678
Total comprehensive income for the year	–	15,678	–	–	15,678
Share option expense	–	–	–	2,051	2,051
Payment of final 2013 dividend	–	(10,479)	–	–	(10,479)
Balance at 31 December 2014	6,164	(9,856)	173,634	(2,567)	167,375

Accumulated losses have been adjusted for the proposed final 2014 dividend in accordance with the current year's presentation, which is described in note 3 to the financial statements.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 April 2016.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2011[a][b] *HK$'000* (Restated)	2012[a][b] *HK$'000* (Restated)	2013[b] *HK$'000* (Restated)	2014 *HK$'000*	**2015** ***HK$'000***
Revenue from continuing operations	536,855	664,696	976,115	1,654,603	**2,455,646**
Cost of sales	(450,171)	(502,648)	(783,750)	(1,356,427)	**(2,043,366)**
Gross profit	86,684	162,048	192,365	298,176	**412,280**
Other income and gains	285	2,561	7,242	2,690	**3,196**
Selling and distribution expenses	(11,523)	(14,524)	(9,514)	(10,705)	**(19,639)**
Administrative expenses	(24,264)	(57,755)	(34,725)	(42,502)	**(64,364)**
Finance costs	(25,027)	(30,489)	(11,091)	(18,094)	**(48,207)**
Other operating expenses	(1,023)	(7,383)	–	(2,908)	**(8,326)**
Share of profit from joint venture	1,453	2,092	1,809	2,071	**1,205**
Profit before tax	26,585	56,550	146,086	228,728	**276,145**
Income tax expense	(9,316)	(18,083)	(27,114)	(41,821)	**(55,916)**
Profit for the year from continuing operations	17,269	38,467	118,972	186,907	**220,229**
Profit/(Loss) from discontinued operation	50,746	16,648	10,973	117,515	**–**
Profit for the year	68,015	55,115	129,945	304,422	**220,229**
Profit for the year attributable to:					
Owners of the Company	68,015	55,115	129,945	304,422	**220,229**
Non-controlling interests	–	–	–	–	**–**
	68,015	55,115	129,945	304,422	**220,229**

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2011[a] *HK$'000* (Restated)	2012[a] *HK$'000* (Restated)	2013[b] *HK$'000* (Restated)	2014 *HK$'000*	**2015** ***HK$'000***
Total assets	827,019	1,163,101	1,386,314	1,685,964	**2,751,346**
Total liabilities	(609,737)	(592,613)	(695,587)	(723,791)	**(1,240,185)**
Non-controlling interests	–	–	–	–	**–**
	217,282	570,488	690,727	962,173	**1,511,161**

Notes:

(a) Certain amounts shown here do not correspond to the 2010, 2011 & 2012 financial statements and reflect adjustments for the adoption of International Financial Reporting Standards ("IFRS") 11 which take effect as of 1 January 2013. IFRS 11 required joint ventures to be accounted for using the equity method. Prior to the adoption of IFRS 11, the Group's share of the joint venture's assets, liabilities, revenue, income and expenses were proportionately consolidated in the consolidated financial statements under International Accounting Standards ("IAS") 31.

(b) Amount shown here reflect changes in accounting standard IFRS 5.