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**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)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**FINANCIAL HIGHLIGHTS**

	<b>For the six months ended 30 June</b>		<b>Increase/ (Decrease) %</b>
	<b>2016 HK\$'000</b>	<b>2015 HK\$'000</b>	
Revenue	<b>1,081,956</b>	1,139,143	(5.0)
Cost of sales	<b>(885,159)</b>	(940,914)	(5.9)
Gross profit	<b>196,797</b>	198,229	(0.7)
Gross profit margin	<b>18.2%</b>	17.4%	0.8
Profit for the period	<b>104,557</b>	116,357	(10.1)
Earnings per share (HK cents):			
– Basic	<b>14.54</b>	18.88	(23.0)
– Diluted	<b>13.76</b>	17.46	(21.2)

- Revenue for the six months ended 30 June 2016 reached approximately HK\$1,082.0 million, representing a decrease of 5.0% as compared with the preceding financial period (approximately HK\$1,139.1 million).
- Gross profit decreased slightly by 0.7% to approximately HK\$196.8 million for the six months ended 30 June 2016 from approximately HK\$198.2 million for the six months ended 30 June 2015.
- Gross profit margin improved slightly by 0.8% to 18.2% for the six months ended 30 June 2016 from 17.4% for the corresponding period in 2015.
- Profit for the period is approximately HK\$104.6 million for the six months ended 30 June 2016, representing a decrease of 10.1% as compared with the corresponding period in 2015. The decrease in profit for the six months ended 30 June 2016 is mainly attributable to the increase in interest expenses on notes issued of approximately HK\$16.7 million (for the six months ended 30 June 2015: Nil). Should this interest expenses be excluded in both periods, operating profits for the period would have increased by 4.2% from the previous period, up from HK\$116.4 million to HK\$121.3 million.
- Basic earnings per share for the six months ended 30 June 2016 was approximately HK14.54 cents (30 June 2015: HK18.88 cents), while diluted earnings per share for the same period was approximately HK13.76 cents (30 June 2015: HK 17.46 cents). The decrease was due to the lower profit for the period and the higher weighted average number of shares mainly as a result of the share placements made in late 2015.

The board of directors (the “**Board**”) of CW Group Holdings Limited (the “**Company**”) is pleased to announce the interim consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the financial period ended 30 June 2016, together with comparative figures for the preceding financial period ended 30 June 2015.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*Six months ended 30 June 2016*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
		<b>HK\$’000</b>	<b>HK\$’000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	4	<b>1,081,956</b>	1,139,143
Cost of sales		<b>(885,159)</b>	(940,914)
Gross profit		<b>196,797</b>	198,229
Other income and gains	4	<b>6,664</b>	2,477
Selling and distribution expenses		<b>(7,654)</b>	(10,955)
Administrative expenses	5	<b>(25,991)</b>	(27,749)
Finance costs	6	<b>(30,440)</b>	(14,043)
Other operating expenses		<b>(5,836)</b>	(3,142)
Share of results of joint ventures		<b>(457)</b>	282
<b>Profit before tax</b>	7	<b>133,083</b>	145,099
Income tax expense	8	<b>(28,526)</b>	(28,742)
Profit for the period		<b>104,557</b>	116,357
<b>Other comprehensive income</b>			
<i>Other comprehensive income may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		<b>33,835</b>	(7,581)
Other comprehensive income for the period, net of tax		<b>33,835</b>	(7,581)
<b>Total comprehensive income for the period</b>		<b>138,392</b>	108,776

		<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit for the period attributable to:</b>			
Owners of the parent		<b><u>104,557</u></b>	<b><u>116,357</u></b>
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the parent		<b><u>138,392</u></b>	<b><u>108,776</u></b>
Earnings per share attributable to			
Owners of parent (HK cents)	9		
– Basic		<b>14.54</b>	18.88
– Diluted		<b><u>13.76</u></b>	<b><u>17.46</u></b>

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	<i>Notes</i>	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	<b>39,933</b>	39,902
Goodwill		<b>5,503</b>	5,197
Other receivables		–	69,770
Investment in joint ventures		<b>11,795</b>	12,253
		<u><b>57,231</b></u>	<u>127,122</u>
<b>Current assets</b>			
Inventories		<b>13,010</b>	3,302
Trade receivables	<i>11</i>	<b>1,815,110</b>	1,413,172
Other receivables		<b>996,438</b>	762,845
Cash and bank balances	<i>12</i>	<b>138,943</b>	444,905
		<u><b>2,963,501</b></u>	<u>2,624,224</u>
<b>Current liabilities</b>			
Bank loans		<b>1,459</b>	1,431
Trade payables	<i>13</i>	<b>77,433</b>	59,093
Trade financing and bills payable	<i>14</i>	<b>725,925</b>	642,907
Other payables and accruals		<b>50,980</b>	37,900
Finance lease payable		<b>4,663</b>	4,691
Tax payables		<b>93,137</b>	85,446
		<u><b>953,597</b></u>	<u>831,468</u>
<b>Net current assets</b>		<u><b>2,009,904</b></u>	<u>1,792,756</u>
<b>Total assets less current liabilities</b>		<u><b>2,067,135</b></u>	<u>1,919,878</u>
<b>Non-current liabilities</b>			
Bank loans		<b>752</b>	1,489
Notes issued	<i>15</i>	<b>424,384</b>	398,884
Finance lease payable		<b>5,266</b>	7,582
Deferred tax liabilities		<b>747</b>	762
		<u><b>431,149</b></u>	<u>408,717</u>
<b>Net assets</b>		<u><b>1,635,986</b></u>	<u>1,511,161</u>

		<b>30 June</b>	31 December
		<b>2016</b>	2015
	<i>Note</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Capital and reserves</b>			
Share capital	<i>16</i>	<b>7,190</b>	7,190
Retained earnings		<b>915,969</b>	828,380
Share premium reserve		<b>784,158</b>	784,158
Other reserves		<b>(71,331)</b>	(108,567)
		<hr/>	<hr/>
<b>Total equity attributable to owners of the parent</b>		<b><u>1,635,986</u></b>	<b><u>1,511,161</u></b>

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

## 1. CORPORATION INFORMATION

CW Group Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. On 13 April 2012, the Company was admitted to the official list of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Clifton Houses, 75 Fort Street, PO box 1350, Grand Cayman, KY1-1108, Cayman Islands. The Company’s principal place of business is located at 22nd floor, World Wide House, Central, Hong Kong.

## 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

### **Basis of preparation**

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2015.

### **New standards, interpretations and amendments thereof, adopted by the Group**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2016, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard/amendment is described below:

#### *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 profit or loss and OCI. The standard requires disclosure of 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 and is not involved in any rate-regulated activities, this standard does not apply.

### *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 Business Combinations principles for business combination 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 if 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 do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

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

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a 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 do not have any impact to the Group given that the Group has not used a revenue-based method to depreciate its noncurrent assets.

### *Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 Agriculture. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Group as the Group does not have any bearer plants.

### *Amendments to IAS 27: Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group's consolidated financial statements.



## **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 do not have any impact on the Group.

### *Amendments to IAS 1 Disclosure Initiative*

The amendments to IAS 1 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 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 do not 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 Consolidated Financial Statements. 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 Investments in Associates and Joint Ventures 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 do not have any impact on the Group as the Group does not apply the consolidation exception.

### 3. 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 solution projects – relates to provision of industrial solutions specific to machine tools and industrial machinery and equipment encompassing conceptualization and design to production line 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 technical 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 as well as head office and corporate expenses are excluded from such measurement.

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

Segment liabilities exclude bank loans, notes issued, 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.

Six months ended 30 June 2016 (Unaudited)	Precision engineering solution projects <i>HK\$'000</i>	Sales of CNC machining centres <i>HK\$'000</i>	Sales of components and parts <i>HK\$'000</i>	After-sales technical support services <i>HK\$'000</i>	Renewable energy solutions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>						
Sales to external customers	972,945	19,839	5,616	58,679	24,877	1,081,956
Intersegment sales	–	–	330	–	–	330
	<u>972,945</u>	<u>19,839</u>	<u>5,946</u>	<u>58,679</u>	<u>24,877</u>	<u>1,082,286</u> (330)
						<u><u>1,081,956</u></u>
<b>Segment results</b>	142,087	3,035	311	45,912	5,452	196,797
<i>Reconciliation</i>						
Bank interest income						8
Unallocated other income and gains						6,656
Corporate and other unallocated expenses						(39,481)
Finance costs						(30,440)
Share of results of joint ventures						(457)
						<u>133,083</u>
Profit before tax						(28,526)
Income tax expenses						<u>104,557</u>
Profit for the period						<u><u>104,557</u></u>
As at 30 June 2016 (Unaudited)	Precision engineering solution projects <i>HK\$'000</i>	Sales of CNC machining centres <i>HK\$'000</i>	Sales of components and parts <i>HK\$'000</i>	After-sales technical support services <i>HK\$'000</i>	Renewable energy solutions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment assets</b>	1,687,287	29,199	13,843	84,838	30,084	1,845,251
<i>Reconciliation</i>						
Corporate and other unallocated assets						1,175,481
Total assets						<u><u>3,020,732</u></u>
<b>Segment liabilities</b>	787,784	11,386	8,110	1,805	(140)	808,945
<i>Reconciliation</i>						
Corporate and other unallocated liabilities						575,801
Total liabilities						<u><u>1,384,746</u></u>

Six months ended 30 June 2015 (Unaudited)	Precision engineering solution projects <i>HK\$'000</i>	Sales of CNC machining centres <i>HK\$'000</i>	Sales of components and parts <i>HK\$'000</i>	After-sales technical support services <i>HK\$'000</i>	Renewable energy solutions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>						
Sales to external customers	1,019,253	107,168	6,843	3,659	2,220	1,139,143
Intersegment sales	–	–	2,277	–	–	2,277
	1,019,253	107,168	9,120	3,659	2,220	1,141,420 (2,277)
						<u>1,139,143</u>
<b>Segment results</b>	187,750	13,856	(1,591)	2,615	(4,401)	198,229
<i>Reconciliation</i>						
Bank interest income						24
Unallocated other income and gains						2,453
Corporate and other unallocated expenses						(41,846)
Finance costs						(14,043)
Share of results of joint ventures						282
Profit before tax						145,099
Income tax expenses						(28,742)
Profit for the period						<u>116,357</u>
As at 31 December 2015 (Audited)	Precision engineering solution projects <i>HK\$'000</i>	Sales of CNC machining centres <i>HK\$'000</i>	Sales of components and parts <i>HK\$'000</i>	After-sales technical support services <i>HK\$'000</i>	Renewable energy solutions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment assets</b>	1,374,348	31,212	13,473	5,421	16,820	1,441,274
<i>Reconciliation</i>						
Corporate and other unallocated assets						1,310,072
Total assets						<u>2,751,346</u>
<b>Segment liabilities</b>	675,914	13,041	8,481	1,434	1,456	700,326
<i>Reconciliation</i>						
Corporate and other unallocated liabilities						539,859
Total liabilities						<u>1,240,185</u>

## Geographical information

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

	Six months ended 30 June			
	2016		2015	
	HK\$'000	%	HK\$'000	%
	(Unaudited)		(Unaudited)	
Asia Pacific region:				
The People's Republic of China ("PRC")	74,140	6.9	126,484	11.1
Singapore	71,932	6.6	51,142	4.5
Indonesia	178,736	16.5	128,862	11.3
Malaysia	267,090	24.7	109,362	9.6
Hong Kong	3,202	0.3	–	–
India	204,739	18.9	273,092	24.0
Thailand	261,787	24.2	447,630	39.3
Europe	20,330	1.9	2,571	0.2
Total	<u>1,081,956</u>	<u>100.0</u>	<u>1,139,143</u>	<u>100.0</u>

## 4. 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 period:

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
Sale of goods	1,023,277	1,135,484
Rendering of services	<u>58,679</u>	<u>3,659</u>
	<u>1,081,956</u>	<u>1,139,143</u>
<b>Other income and gains</b>		
Bank interest income	8	24
Government subsidy	233	135
Consultant fee	1,329	585
Write off long overdue other payables	–	1,729
Commission for project	4,975	–
Others	<u>119</u>	<u>4</u>
	<u>6,664</u>	<u>2,477</u>

## 5. ADMINISTRATIVE EXPENSES

The Group's administrative expenses includes the following:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Audit fees	<b>1,199</b>	1,030
Legal and professional fees	<b>3,017</b>	2,000
Rental	<b>4,215</b>	4,354
Share option expenses	<b>3,401</b>	9,053
	<b><u>11,832</u></b>	<b><u>16,437</u></b>

## 6. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest on finance leases	<b>307</b>	429
Bank loan interest and charges	<b>22</b>	35
Letter of credit and trust receipt charges	<b>13,391</b>	10,132
Interest on redeemable preference shares	<b>–</b>	3,447
Interest on notes issued	<b>16,720</b>	–
	<b><u>30,440</u></b>	<b><u>14,043</u></b>

## 7. PROFIT BEFORE TAX

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Cost of inventories sold	<b>880,397</b>	936,938
Depreciation*	<b>2,913</b>	2,672
Employee benefits expenses (including directors' remuneration)**	<b>18,109</b>	11,512
Foreign exchange loss (net)***	<b>5,836</b>	3,142
Minimum lease payments recognised as an operating lease#	<b>4,924</b>	5,123
	<b><u>912,179</u></b>	<b><u>969,415</u></b>

\* These amounts are included in "Cost of sales" of HK\$1,636,000 (six months ended 30 June 2015: HK\$1,660,000) and "Administrative expenses" of HK\$1,277,000 (six months ended 30 June 2015: HK\$1,012,000) in the interim condensed consolidated statements of profit or loss and other comprehensive income.

\*\* This amount includes contribution to retirement benefits schemes of HK\$1,229,000 (six months ended 30 June 2015: HK\$1,160,000).

\*\*\* These amounts are included in "Other operating expenses" in the interim condensed consolidated statements of profit or loss and other comprehensive income.

# These amounts are included in “Cost of sales” of HK\$1,375,000 (six months ended 30 June 2015: HK\$1,478,000) and “Administrative expenses” of HK\$3,549,000 (six months ended 30 June 2015: HK\$3,645,000) in the consolidated statement of profit or loss and other comprehensive income.

## 8. INCOME TAX EXPENSE

The major components of income tax expense in the interim condensed consolidated statement of profit or loss and other comprehensive income are:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current tax:		
– Current period	<b><u>28,526</u></b>	<b><u>28,742</u></b>

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.

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 718,993,000 (six months ended 30 June 2015: 616,417,000) in issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.



The calculations of basic and diluted earnings per shares are based on:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic diluted earnings per share calculations	<b>104,557</b>	116,357
	<b>No. of shares</b>	No. of shares
	<b>'000</b>	'000
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculations	<b>718,993</b>	616,417
Effects of dilution – weighted average number of ordinary shares:		
– Share options	<b>41,135</b>	49,930
	<b>760,128</b>	666,347

## 10. PROPERTY, PLANT AND EQUIPMENT

### Acquisitions and disposals

During the six months ended 30 June 2016, the Group acquired property, plant and equipment with a cost of HK\$1,404,000 (31 December 2015: HK\$12,385,000).

There were no disposal of property, plant and equipment during the six months ended 30 June 2016 and 30 June 2015.

## 11. TRADE RECEIVABLES

	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Trade receivables	<b>1,169,476</b>	1,058,956
Less: Impairment	<b>(254)</b>	(240)
	<b>1,169,222</b>	1,058,716
Accrued revenue	<b>645,888</b>	354,456
	<b>1,815,110</b>	1,413,172

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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of 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.

Trade receivables of HK\$153,232,000 (31 December 2015: HK\$154,447,000) have been pledged to secure the Group's trade financing and bill payables as set out in Note 14.

The following is an aging analysis of the Group's trade receivables (net of allowance for doubtful debts and excluding accrued revenue) as at 30 June 2016 and 31 December 2015, presented based on invoice date:

	<b>30 June 2016</b>	31 December 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
0 to 90 days	<b>406,296</b>	469,191
91 to 180 days	<b>355,070</b>	517,662
181 to 360 days	<b>407,149</b>	71,401
Over 360 days	<b>707</b>	462
	<b><u>1,169,222</u></b>	<u>1,058,716</u>

## 12. CASH AND BANK BALANCES

	<b>30 June 2016</b>	31 December 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Cash on hand	<b>273</b>	298
Bank balances	<b>138,175</b>	444,195
Pledged fixed deposits	<b>495</b>	412
	<b><u>138,943</u></b>	<u>444,905</u>

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

### 13. TRADE PAYABLES

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Trade payables	68,500	47,621
Trade payable to joint venture companies	47	32
Accrued payables	8,886	11,440
	<u>77,433</u>	<u>59,093</u>

The following is an aging analysis of the Group's trade payables (excluding trade payable to joint venture companies and accrued payables) as at 30 June 2016 and 31 December 2015, presented based on invoice date:

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
0 to 90 days	31,215	34,707
91 to 180 days	19,888	714
181 to 360 days	5,226	103
Over 360 days	12,171	12,097
	<u>68,500</u>	<u>47,621</u>

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

### 14. TRADE FINANCING AND BILLS PAYABLE

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Trade financing and bills payable	725,925	642,907

Trade financing and bills payable are payable to the bank within 180 days.

## 15. NOTES ISSUED

Notes issued relates to fixed rate notes amounting to S\$75,000,000 (approximately equivalent to HK\$432,277,000) issued by CW Advanced Technologies Pte. Ltd. on 25 June 2015 under a 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 the Company and mature on 25 June 2018. The net proceeds of approximately S\$73,200,000 (approximately equivalent to HK\$421,261,000) 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 Group.

The Group has covenanted, amongst others, with the trustee in the trust deed that for so long as any of the Notes or coupons remains outstanding, it will ensure that:

- i. its consolidated total equity will not at any time be less than HK\$700,000,000;
- ii. the ratio of its consolidated net debt to its consolidated total equity shall not at any time be more than 1.75:1;
- iii. the ratio of its consolidated EBITDA to its consolidated interest expense in respect of any test period shall not be less than 2.5:1 for that test period; and
- iv. the ratio of its consolidated secured debt to its consolidated total assets shall not at any time be more than 0.6:1.

## 16. SHARE CAPITAL

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Authorised:		
10,000,000,000 (31 December 2015: 10,000,000,000) ordinary shares of HK\$0.01 each	<u><u>100,000</u></u>	<u><u>100,000</u></u>
Issued and fully paid:		
718,992,897 (31 December 2015: 718,992,897) ordinary shares of HK\$0.01 each	<u><u>7,190</u></u>	<u><u>7,190</u></u>
A summary of movements in the Company’s share capital is as follows:		
	Number of shares in issue	Share capital HK\$'000
At 1 January 2015	616,417,000	6,164
Exercise of the share options	93,781,682	938
Subscription of shares	<u>8,794,215</u>	<u>88</u>
At 31 December 2015	<u><u>718,992,897</u></u>	<u><u>7,190</u></u>
At 1 January 2016 and 30 June 2016	<u><u>718,992,897</u></u>	<u><u>7,190</u></u>

## 17. 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 Group (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 Options.

The expenses recognised for the Options during the period is shown in the following table:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Expenses arising from equity-settled share-based payment transaction	<b>3,401</b>	9,053

There were no cancellation or modification to the awards as at 30 June 2016.

### **Movement of share options during the period**

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

	<b>Six months ended 30 June</b>			
	<b>2016</b>		2015	
	<b>(Unaudited)</b>		(Unaudited)	
	<i>No.</i>	<i>WAEP</i> <i>(HK\$)</i>	<i>No.</i>	<i>WAEP</i> <i>(HK\$)</i>
Outstanding at 1 January/30 June	<b>41,135,562</b>	<b>2.09</b>	49,929,777	2.09
Exercisable at 30 June	<b>24,492,303</b>	<b>2.09</b>	16,643,259	2.09

## Fair value of the Options granted

The fair value of the Options granted is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the 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 2015	1 March 2016	1 March 2017
Expiry date	17 December 2019	17 December 2019	17 December 2019
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 the Options (years)	2.6	3.1	3.6
Model used	Binomial	Binomial	Binomial

## 18. FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments held by the Group as at 30 June 2016 and 31 December 2015:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
<b>Financial assets:</b>		
<i>Loan and receivables</i>		
Trade receivables	1,815,110	1,413,172
Other receivables (current)	547,663	405,031
Cash and bank balances	138,943	444,905
<b>Total financial assets</b>	<b>2,501,716</b>	<b>2,263,108</b>
<b>Financial liabilities:</b>		
<i>Financial liabilities at amortised cost</i>		
Bank loans (current and non-current)	2,211	2,920
Trade payables	77,433	59,093
Trade financing and bills payable	725,925	642,907
Other payables and accruals	42,297	25,534
Finance lease payable (current and non-current)	9,929	12,273
Notes issued	424,384	398,884
<b>Total financial liabilities</b>	<b>1,282,179</b>	<b>1,141,611</b>

## Fair value

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, trade payables, current portions of bank loans and finance lease payables, trade financing and bills payable, financial assets included in other receivables and financial liabilities included in other payables and accruals approximate to their carrying amounts mainly due to the short-term maturities of these instruments.

The fair values of the non-current portions of bank loans and finance lease payables are reasonable approximation of fair values as they are floating rate instruments that are re-priced to market interest rates on or near balance sheet date. The fair value of the Notes is also reasonable approximation of fair value and bear an effective interest rate of 7.2% per annum.

## 19. COMMITMENT AND CONTINGENCIES

### (a) Contingent liabilities

There were no material contingent liabilities as at 30 June 2016.

### (b) Operating leases – as lessee

At 30 June 2016 and 31 December 2015, 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:

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Within one year	<b>6,742</b>	8,981
In the second to fifth years, inclusive	<b>2,734</b>	5,189
	<b>9,476</b>	14,170

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

#### Revenue

For the six months ended 30 June 2016, revenue of the Group reached approximately HK\$1,082.0 million, representing a decrease of approximately HK\$57.2 million or 5.0% from approximately HK\$1,139.1 million for the corresponding period last year. Set out below is a breakdown of our revenue by our five business segments:

	For the six months ended 30 June				
	2016 HK\$'000	% of total revenue	2015 HK\$'000	% of total revenue	Increase/ (Decrease) %
Precision engineering solutions projects	972,945	89.9	1,019,253	89.5	(4.5)
Sales of CNC machining centres	19,839	1.9	107,168	9.4	(81.5)
Sales of components and parts	5,616	0.5	6,843	0.6	(17.9)
After-sales technical support services	58,679	5.4	3,659	0.3	1,503.7
Renewable energy solutions	24,877	2.3	2,220	0.2	1,020.6
Total	<u>1,081,956</u>	<u>100.0</u>	<u>1,139,143</u>	<u>100.0</u>	(5.0)

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, commissioning and maintenance of production lines. For the six months ended 30 June 2016 and 2015, revenue derived from precision engineering solutions projects was relatively constant, at approximately 89.9% and 89.5% of the total revenue for each period respectively. Revenue from this business segment dropped slightly by 4.5% from approximately HK\$1,019.3 million for the six months ended 30 June 2015, to approximately HK\$972.9 million for the six months ended 30 June 2016. The slight decline was predominantly due to depressed market condition.

Revenue from sales of CNC machining centres primarily relates to sales of precision engineering manufacturing equipment operable under CNC automation. For the six months ended 30 June 2016 and 2015, approximately 1.9% and 9.4% of our total revenue was derived from sales of CNC machining centres respectively. Revenue from the sales of CNC machining centres dropped by 81.5% from approximately HK\$107.2 million for the six months ended 30 June 2015, to approximately HK\$19.8 million for the six months ended 30 June 2016. Similar to the precision engineering solutions projects, the decline was due to depressed market condition.

Revenue from sales of components and parts relates primarily to sales of self-manufactured and trading of components and parts. Revenue contribution from this business segment remained relatively constant, contributing to our total revenue of approximately 0.5% and 0.6% for the six months ended 30 June 2016 and 2015 respectively. Revenue from the sales of components and parts decreased by 17.9% from approximately HK\$6.8 million for the six months ended 30 June 2015, to approximately HK\$5.6 million for the current corresponding period.



Revenue from after-sales technical support services consists primarily of the provision of technical repairs and maintenance services in relation to our Group's other business segments. Revenue contribution from this business segment increased significantly to 5.4% of our total revenue for the six months ended 30 June 2016 from 0.3% in the preceding period. Revenue from after-sales technical support services jumped by 1,503.7% from HK\$3.7 million in the previous corresponding period, to HK\$58.7 million for the six months ended 30 June 2016. This spike in revenue from after-sales technical support was largely due to depressed market conditions which led to many customers opting not to buy new equipment but looking for overhaul of existing equipment.

Revenue from the renewable energy solutions relates primarily to the manufacture and trading of solar photovoltaic panels and modules. Revenue contribution from this business segment increased from 0.2% of our total revenue for the six months ended 30 June 2015 to 2.3% in the current corresponding period. Revenue from the renewable energy solutions also jumped by 1,020.6% from approximately HK\$2.2 million for the six months ended 30 June 2015, to approximately HK\$24.9 million for the six months ended 30 June 2016. The increase was partly due to the fact that our factory had shut down production for about three months while integrating the new fully automated production line into the production plant during the six months ended 30 June 2015. Another factor that contributed to the improvement was the securing of a one-year contract to provide renewable energy solutions turnkey project in Thailand, which contributed to approximately HK\$10.5 million revenue for the six months ended 30 June 2016.

### *Cost of Sales*

The costs of sales of our Group accounted for approximately 81.8% and 82.6% of our revenue during the six months ended 30 June 2016 and 2015 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:

	For the six months ended 30 June		2015 HK\$'000	% of total cost of sales	Increase/ (Decrease) %
	2016 HK\$'000	% of total cost of sales			
Cost of goods sold	880,397	99.4	936,938	99.6	(6.0)
Direct labour costs	3,126	0.4	2,316	0.2	35.0
Direct depreciation expenses	1,636	0.2	1,660	0.2	(1.4)
Total	<u>885,159</u>	<u>100.0</u>	<u>940,914</u>	<u>100.0</u>	(5.9)

For both the six months ended 30 June 2016 and 2015, cost of goods sold as a percentage of our Group's total cost of sales remained relatively constant at 99.4% and 99.6% respectively. Cost of goods sold decreased slightly by 6.0% from approximately HK\$936.9 million for the six months ended 30 June 2015, to approximately HK\$880.4 million for the six months ended 30 June 2016. Our Group's cost of goods sold comprises primarily material costs, sub-contractor costs, 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, the PRC, Singapore, Taiwan and the United States of America. The decrease in cost of goods sold in both the percentage of total cost of sales and in absolute amount, are mainly in line with the decrease in revenue from the precision engineering solutions projects and the sales of CNC machining centres segments.

Direct labour costs comprise salaries and related costs for engineers as well as production and assembly staff. For the six months ended 30 June 2016 and 2015, direct labour costs was approximately 0.4% and 0.2% of our total cost of sales respectively. Direct labour costs increased by 35.0% from approximately HK\$2.3 million for the six months ended 30 June 2015 to approximately HK\$3.1 million for the six months ended 30 June 2016. The increase is primarily attributable to an increase in manpower in our renewable energy solutions business segment.

Direct depreciation expenses for both the six months ended 30 June 2016 and 2015 accounted for approximately 0.2% of our total cost of sales. Direct depreciation expenses remained relatively constant, decreasing slightly by 1.4% from approximately HK\$1.7 million in the previous corresponding period, to approximately HK\$1.6 million for the six months ended 30 June 2016. Direct depreciation expenses comprise depreciation charges on production related equipment.

### ***Gross Profit and Gross Profit Margin***

Despite the slight reduction in period-to-period revenue (decreased by 5.0%), our gross profit in absolute value remained relatively constant. The gross profit for the six months ended 30 June 2016 was approximately HK\$196.8 million, representing a slight dip of 0.7% from HK\$198.2 million for the six months ended 30 June 2015. Gross profit margin improved slightly by 0.8%, from 17.4% for the six months ended 30 June 2015 and to 18.2% for the six month ended 30 June 2016. These can be attributed to the increased contributions in the current period from the after-sales technical support services and the renewable energy solutions.

### ***Other Income and Gains***

The other income and gains of our Group amounted to approximately HK\$6.7 million and HK\$2.5 million for the six months ended 30 June 2016 and 2015 respectively. The increase of 169.0% was largely due to the one-off referral commissions of approximately HK\$3.1 million and HK\$1.9 million for the China and Europe markets respectively for the six months ended 30 June 2016. This was partly offset by a write-off of long overdue other payables of approximately HK\$1.7 million during the six months ended 30 June 2015.

### ***Selling and Distribution Expenses***

Selling and distribution expenses refer to the expenses incurred for the promotion and sale of products. This comprises primarily 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 at 0.7% and 1.0% for the six months ended 30 June 2016 and 2015 respectively. Selling and distribution expenses in absolute terms, decreased from approximately HK\$11.0 million for the six months ended 30 June 2015 to approximately HK\$7.7 million for the six months ended 30 June 2016. This decrease was largely attributable to a decrease in commission expenses from approximately HK\$5.7 million during the six months period ended 30 June 2015, to approximately HK\$1.2 million for the current period. The decrease was partly offset by an increase in selling and distribution salaries and related costs, from HK\$1.6 million in the previous period, to HK\$2.3 million for the six months ended 30 June 2016.

### ***Administrative Expenses***

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

The administrative expenses of the Group decreased slightly from approximately HK\$27.7 million for the six months ended 30 June 2015 to approximately HK\$26.0 million for the six months ended 30 June 2016. The decrease was mainly attributable to the decrease in expenses in relation to issuance of share options to employees, from approximately HK\$9.1 million during the six months ended 30 June 2015, to approximately HK\$3.4 million for the six months ended 30 June 2016. This was partly offset by an increase in administrative salaries and related costs due previously to increased headcounts, from HK\$7.5 million for the six months ended 30 June 2015, to approximately HK\$9.3 million for the current period.

### ***Finance Costs***

Our Group's finance costs comprise interests on bank loans and notes issued, bank and other finance charges, and interests on finance leases. Our finance costs increased by approximately HK\$16.4 million from about HK\$14.0 million for the six months ended 30 June 2015 to about HK\$30.4 million for the six months ended 30 June 2016. The increase was largely attributable to interest expenses in relation to the notes issued in late June 2015 of approximately HK\$16.7 million for the six months ended 30 June 2016. This was partly offset by the interest expenses in relation to the redeemable preference shares of approximately HK\$3.4 million for the six months ended 2015.

### ***Income Tax Expense***

Our income tax expense decreased by 0.7%, from approximately HK\$28.7 million for the six months ended 30 June 2015 to approximately HK\$28.5 million for the six months ended 30 June 2016. This is in line with the decrease in profit before tax, which is mainly attributable to the interest expenses for notes issued in late June 2015.

## ***Profit for the Period and Net Profit Margin***

The Group recorded a profit of approximately HK\$104.6 million for the six months ended 30 June 2016 which is a decrease of approximately HK\$11.8 million or 10.1% from approximately HK\$116.4 million in the corresponding period in 2015. As mentioned above, despite the slight drop in total revenue (decreased by 5.0% as compared with the preceding period), gross profit remained relatively constant (decreased by 0.7% as compared with the preceding period). However, due mainly to the interest expense for the current period in relation to notes issued, the net profit for the period decreased by 10.1%.

Net profit margin for the six months ended 30 June 2016 decreased slightly to 9.7% from approximately 10.2% for the six months ended 30 June 2015. As explained above, the reason for the decrease in net profit margin is mainly due to the interest expense for the current period in relation to notes issued.

## **Business Review**

Our Group's result for the six months ended 30 June 2016 was in line with our expectations of tougher market conditions in 2016. For the first six months of 2016, there was little to show that the global economy is recovering. Facing such depressed market conditions, revenue for the six months ended 30 June 2016 dropped slightly by 5.0% from the previous corresponding period, from HK\$1,139.1 million for the six months ended 30 June 2015 to HK\$1,082.0 million for the current period. Despite the decrease in revenue, we were able to keep our gross profits relatively constant, dropping slightly by HK\$1.4 million (or 0.7%), from HK\$198.2 million for the six months ended 30 June 2015, to HK\$196.8 million for the current period. However, profits for the six months ended 30 June 2016 dropped by 10.1%, from HK\$116.4 million for the six months ended 30 June 2015 to HK\$104.6 million. The drop in profits for the period was mainly attributable to the interest expense of approximately HK\$16.7 million for the six months ended 30 June 2016 in relation to notes issued towards late June 2015.

Despite the poor market conditions, our Group continued to focus on precision engineering solutions projects, contributing 89.9% and 89.5% of our Group's total revenue for the six months ended 30 June 2016 and 2015 respectively. For the six months ended 30 June 2016, in view of the poor market conditions, many of our customers trimmed their capital expenditures, and turned to overhauling of existing equipment. This helped spur our revenue contribution from after-sales technical support services which recorded a 1,503.7% increase to approximately HK\$58.7 million for the six months ended 30 June 2016 (30 June 2015: approximately HK\$3.7 million). The Group's decision to diversify into the renewable energy solutions segment also yielded results contributing to an increase of 1,020.6% in revenue from HK\$2.2 million for the six months ended 30 June 2015, to HK\$24.9 million for the six months ended 30 June 2016.

During the six months ended 30 June 2016, we continued to maintain our key markets including Singapore, China, Indonesia, Malaysia, and Thailand. Despite the slowdown in the demand for our solutions and products due to the current global economic conditions, 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. In addition, new markets penetration by our European subsidiary and our renewable energy solutions segment developed over the past few years are expected to contribute positively.

## Strategy and Outlook

In the Euro zone, the unexpected turn of events on Britain's decision to exit the EU has sent shock waves throughout the globe and has thrown capital markets into turmoil. The after effects of post-Brexit has yet to be materialised and the impact on global business community and global economy has yet to be stabilised. Russia's economic outlook remained sluggish as oil price tumbles and sanctions envelope. Elsewhere in Europe, global insecurity and refugee crisis continues. These uncertainties and economic ambiguity provides an opportunity for the penetration of these European markets as well as potential for the acquisition of technological know-hows.

The upcoming US presidential elections will be another major political uncertainty as the world keeps a keen eye on the election results. A change in leadership in the US will result in uncertain political and economic policies which will impact the world trade, economy and security.

Over in Asia, despite the slowdown in growth, China continues to lead the way. The country is in the process of transitioning into a high value added economy. This is in line with the China government "Industry 4.0" revolution and "Made-in-China 2025" action plan. China aims to have Chinese companies to grow and move up the value chain in the areas of industrial production and technological innovation. The plan also encourages Chinese companies to invest abroad to strengthen investment and operation risk management. The current governmental directions have created continuous industrial upgrading and industrial revolution of the manufacturing industries. The European political and economic instabilities have created opportunities for the Chinese to look into technological advancement via mergers and acquisitions ("M&A") and technological know-how transfers. Since the beginning of 2016, there were several Chinese companies that have made the headlines for sizeable M&A overseas deals.

Countries such as Indonesia, India and Thailand are continuing to attract foreign direct investment ("FDI"). Malaysia although being plagued by 1MDB scandal and weak currency, its political stability remains steadfast as the Prime Minister leadership tenure remains firm. Our manufacturing base in Iskandar Malaysia is picking up the momentum and we believe that we are well positioned for the new challenges set for photovoltaic cells. Looking forward, the FDI in the region is expected to create continuous demand for high-end precision CNC machine tools and precision engineering solutions projects.

The Group plans to leverage on its technological know-how and knowledge of its customers' needs to procure high-end machining technology from Europe for onward sale to its customers who need to ramp up and upgrade their production facilities. We plan to complement the transfer of technology by offering after-sales technical support to our customers to ensure that technologies obtained would be harnessed in the most optimal manner. Strategically headquartered in Singapore, with subsidiaries located in China and Europe, the Group is well positioned to capture and facilitate any potential business opportunities, preserving intellectual property rights and bridging language and cultural barriers. It is against this background that we, as a provider of one-stop precision engineering solutions with technological transfer capability, are encouraged and optimistic about the performance of the Group in the near 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 seek improvements in various strategic aspects, including broadening our customer base and supply channels and 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 maximise our shareholders' returns.

## **Liquidity, Financial and Capital Resources**

### ***Cash Position***

Our cash and bank balances amounted to approximately HK\$138.9 million and HK\$444.9 million as at 30 June 2016 and 31 December 2015 respectively. The functional currencies of the Group include Malaysia ringgit, Renminbi, US dollar, Swiss franc and Singapore dollar. As at 30 June 2016, 35.0% of the Group's cash, bank deposits and non-pledged fixed deposits were denominated in the respective functional currencies and the remaining 65.0% in other currencies (mainly Hong Kong dollar, Japanese yen and United States dollar).

The decrease of approximately HK\$306.0 million in cash and bank balances was mainly attributable to the net cash outflow for investing activities, mainly in relation to deposits into escrow accounts and advances for patents and trademarks, of approximately HK\$111.3 million and HK\$73.7 million respectively. Operating activities also resulted in net cash outflow of approximately HK\$92.8 million during the six months ended 30 June 2016, while financing activities also have a cash outflow of approximately HK\$31.5 million.

As at 30 June 2016, all of the Group's bank loans were denominated in the functional currencies of the respective entities within the Group, with interest rates at approximately 4.00% per annum. Our bank loans (excluding bonds) decreased from approximately HK\$2.9 million as at 31 December 2015 to approximately HK\$2.2 million as at 30 June 2016.

### **Capital Management**

The capital structure of the Group consists of cash and bank balances, equity attributable to Owners of the parent (comprising share capital and reserves), loans and other borrowings.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the optimal use of debt and equity so as to maximise the return to shareholders of the Company. 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.

### **Capital Expenditure**

During the six months ended 30 June 2016, the Group acquired property, plant and equipment at a cost of approximately HK\$1.4 million as compared with approximately HK\$12.4 million for the year ended 31 December 2015.

There was no property, plant and equipment disposal during the six months ended 30 June 2016 and 2015.

### **Employees and Remuneration Policy**

As at 30 June 2016, the Group had a total number of 133 full-time employees, excluding 70 full-time employees in our joint ventures (31 December 2015: 110 full-time employees, excluding 74 full-time employees in our joint ventures). The Group determined the remuneration packages of all employees based on factors including individual qualifications, contributions to the Group, performance and years of experience of the respective staff.

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

### **Charge on Assets**

As at 30 June 2016, the Group had pledged certain assets with a net book value of approximately HK\$5.9 million under hire purchase financing.

### **Foreign Exchange Risk Management**

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 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.

### **Capital Commitments**

The Group does not have any material capital commitments as at 30 June 2016.

### **Contingent Liabilities**

There were no material contingent liabilities as at 30 June 2016.

### **Gearing Ratio**

Gearing ratio is measured by the total bank loans, trade financing and bills payables, and notes issued divided by the total assets of the Group. As at 30 June 2016 and 31 December 2015, the gearing ratio remained constant at 38.4%.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

Our Company has fully complied with the code provisions set out in the Corporate Governance Code during the six months ended 30 June 2016, as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), except for the following:

1. Code provision A.2.1 – This code provision stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Our Company currently does not have a separate chairman and chief executive. Mr. Wong Koon Lup, a founder of our Group, currently holds both positions. The Board believes that vesting the roles of chairman and chief executive in the same individual provides our Group with strong and consistent leadership and allows for more effective and efficient planning of our long-term business strategies.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

Our Company has adopted a code for securities transactions by the Directors on terms equivalent to the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Specific written acknowledgements have been obtained from each Director to confirm compliance with the Model Code up to 30 June 2016. There were no incidents of non-compliance during that period.

The Board confirmed that, having made specific enquiry, the directors have complied in full with the required standards as set out in the Model Code and its code of conduct for the period ended 30 June 2016.

## **REVIEW OF INTERIM RESULTS**

The Audit Committee has reviewed the Group’s unaudited interim results for the six months ended 30 June 2016.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

There were no purchase, sale or redemption of listed securities by the Company for the six months ended 30 June 2016.

## **INTERIM DIVIDEND**

The Board does not recommend any interim dividend for the six months ended 30 June 2016 (30 June 2015: Nil).

## **MATERIAL ACQUISITION AND DISPOSAL**

There were no material acquisition and disposal of subsidiaries by the Group during the period.



## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information available to the Company and to the best knowledge of the directors, the Company has maintained sufficient public float throughout the period ended 30 June 2016.

## **PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY**

This interim results announcement containing all the information required by paragraphs 46(1) to 46(10) of Appendix 16 to the Listing Rules has been published on the website of the Company at [www.cwgroup-int.com](http://www.cwgroup-int.com) and on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The 2016 interim report of the Company will be dispatched to the Shareholders of the Company and will be published on the aforesaid websites in due course.

By Order of the Board  
**CW Group Holdings Limited**  
**Wong Koon Lup**  
*Chairman and Chief Executive Officer*

Hong Kong, 26 August 2016

*As at the date of this announcement, the executive Directors of the Company are Mr. WONG Koon Lup, Mr. WONG Mun Sum and Mr. LEE Tiang Soon; the non-executive Director is Mr. Zhang Bing Cheng and the independent non-executive Directors of the Company are Mr. KUAN Cheng Tuck, Mr. ONG Su Aun, Jeffrey (alias Mr. WANG Ci'An, Jeffrey) and Mr. CHAN Hon Chung, Johnny.*