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

Interim Report 2016

CONTENTS

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

HONG KONG LEGAL ADVISER

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IR AND PR CONSULTANT

PR Asia Consultants Limited

COMPANY WEBSITE

www.cwgroup-int.com

STOCK CODE

1322

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board and management of CW Group Holdings Limited (the "Company") and its subsidiaries (the "Group"), I am pleased to present the Group's interim report for the six months ended 30 June 2016.

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 profit 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.

CHAIRMAN'S STATEMENT

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. Nearer to home, countries such as Indonesia, India and Thailand are continuing to attract foreign direct investment ("FDI"). The FDIs in the region is expected to create continuous demand for high-end precision CNC machine tools and precision engineering solutions projects. Looking forward, 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.

I would like to take this opportunity to express our sincere appreciation to our shareholders, customers, principals and bankers for their continued trust and support. In addition, I would like to express my heartfelt appreciation to our team for their hard work and dedication.

Yours sincerely,
Wong Koon Lup
Chairman and Chief Executive Officer

18 September 2016

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2016	2015	Increase/
	(Unaudited)		(Decrease)
	HK$'000	*HK$'000*	%
Revenue	**1,081.956**	1,139,143	(5.0)
Cost of sales	**(885,159)**	(940,914)	(5.9)
Gross profit	**196,797**	198,229	(0.7)
Gross profit margin	**18.2%**	17.4%	0.8
Profit for the period	**104,557**	116,357	(10.1)
Earnings per share attributable to owners of the parent (HK cents)			
– Basic	**14.54**	18.88	(23.0)
– Diluted	**13.76**	17.46	(21.2)

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	**% of total revenue**	2015	% of total revenue	Increase/ (Decrease)
	HK$'000		*HK$'000*		%
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	**1,081,956**	**100.0**	1,139,143	100.0	(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.

MANAGEMENT DISCUSSION AND ANALYSIS

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				
	2016	**% of total cost of sales**	2015	% of total cost of sales	Increase/ (Decrease)
	HK$'000		*HK$'000*		%
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	**885,159**	**100.0**	940,914	100.0	(5.9)

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 (the "Directors") 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 the shareholders of the Company (the "Shareholders"). 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.

CAPITAL COMMITMENTS

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

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 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.

MATERIAL ACQUISITIONS OR DISPOSALS

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

MANAGEMENT DISCUSSION AND ANALYSIS

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%.

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 aftersales 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

EMPLOYEES AND REMUNERATION POLICY AND SHARE OPTION SCHEME

As at 30 June 2016, the Group had a total number of 133 full-time employees, excluding 70 fulltime 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 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 the Group and to enable the Group to recruit and retain human resources that are valuable to the Group, the Company adopted a share option scheme on 14 March 2012, under which it may grant options to eligible persons. On 17 December 2014, the Group granted 49,929,777 share options to our Directors, certain employees and a consultant of the Group at an exercise price of HK$2.09 with various vesting periods between March 2015 and March 2017. As at 30 June 2016, there were 41,135,562 outstanding share options. During the six months ended June 2016, no share options were granted, exercised, cancelled or lapsed.

OTHER INFORMATION

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 30 June 2016, 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 38 to 39 of this interim report.

Save as disclosed above, as at 30 June 2016, 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.

OTHER INFORMATION

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

As at 30 June 2016, 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	29,709,446 (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%
AVIC Trust Co., Ltd.(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%

(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 held 10,725,656 unexercised share options pursuant to the share option scheme of the Company adopted on 14 March 2012, under which he is entitled to subscribe for an aggregate of 10,725,656 Shares 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) AVIC Trust Co., Ltd. (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 AVIC Trust Co., Ltd. (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 30 June 2016, the Directors are not aware of any other persons who 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.

OTHER INFORMATION

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:

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

INTERIM DIVIDEND

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

INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements of CW Group Holdings Limited and its subsidiaries (together "the Group") set out on pages 18 to 43, which comprise the interim condensed consolidated statement of financial position as at 30 June 2016, and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

26 August 2016

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

For the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
Revenue	4	**1,081,956**	1,139,143
Cost of sales		**(885,159)**	(940,914)
Gross profit		**196,797**	198,229
Other income and gains	4	**6,664**	2,477
Selling and distribution expenses		**(7,654)**	(10,955)
Administrative expenses	5	**(25,991)**	(27,749)
Finance costs	6	**(30,440)**	(14,043)
Other operating expenses		**(5,836)**	(3,142)
Share of results of joint ventures		**(457)**	282
Profit before tax	7	**133,083**	145,099
Income tax expense	8	**(28,526)**	(28,742)
Profit for the period		**104,557**	116,357
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**33,835**	(7,581)
Other comprehensive income for the period, net of tax		**33,835**	(7,581)
Total comprehensive income for the period		**138,392**	108,776
Profit for the period attributable to:			
Owners of the parent		**104,557**	116,357
Total comprehensive income for the period attributable to:			
Owners of the parent		**138,392**	108,776
Earnings per share attributable to owners of the parent (HK cents)	10		
Basic		**14.54**	18.88
Diluted		**13.76**	17.46

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	**39,933**	39,902
Goodwill		**5,503**	5,197
Other receivables		**–**	69,770
Investment in joint ventures		**11,795**	12,253
		57,231	127,122
Current assets			
Inventories		**13,010**	3,302
Trade receivables	12	**1,815,110**	1,413,172
Other receivables		**996,438**	762,845
Cash and bank balances	13	**138,943**	444,905
		2,963,501	2,624,224
Current liabilities			
Bank loans		**1,459**	1,431
Trade payables	14	**77,433**	59,093
Trade financing and bills payable	15	**725,925**	642,907
Other payables and accruals		**50,980**	37,900
Finance lease payable		**4,663**	4,691
Tax payables		**93,137**	85,446
		953,597	831,468
Net current assets		**2,009,904**	1,792,756
Total assets less current liabilities		**2,067,135**	1,919,878
Non-current liabilities			
Bank loans		**752**	1,489
Notes issued	16	**424,384**	398,884
Finance lease payable		**5,266**	7,582
Deferred tax liabilities		**747**	762
		431,149	408,717
Net assets		**1,635,986**	1,511,161
Capital and reserves			
Share capital	17	**7,190**	7,190
Retained earnings		**915,969**	828,380
Share premium reserve		**784,158**	784,158
Other reserves		**(71,331)**	(108,567)
Total equity attributable to owners of the parent		**1,635,986**	1,511,161

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Share capital *HK$'000* *(Note 17)*	Retained earnings *HK$'000*	Share premium reserve *HK$'000*	Other reserves *HK$'000*	Total *HK$'000*
Balance at 1 January 2016 (Audited)	**7,190**	**828,380**	**784,158**	**(108,567)**	**1,511,161**
Profit for the period	**–**	**104,557**	**–**	**–**	**104,557**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**33,835**	**33,835**
Total comprehensive income for the period	**–**	**104,557**	**–**	**33,835**	**138,392**
Share option expenses *(Note 18)*	**–**	**–**	**–**	**3,401**	**3,401**
Final 2015 dividend *(Note 9)*	**–**	**(16,968)**	**–**	**–**	**(16,968)**
Balance at 30 June 2016 (Unaudited)	**7,190**	**915,969**	**784,158**	**(71,331)**	**1,635,986**

	Share capital *HK$'000* *(Note 17)*	Retained earnings *HK$'000*	Share premium reserve *HK$'000*	Other reserves *HK$'000*	Total *HK$'000*
Balance at 1 January 2015 (Audited)	6,164	622,906	421,925	(88,822)	962,173
Profit for the period	–	116,357	–	–	116,357
Exchange differences on translation of foreign operations	–	–	–	(7,581)	(7,581)
Total comprehensive income for the period	–	116,357	–	(7,581)	108,776
Share option expenses *(Note 18)*	–	–	–	9,053	9,053
Final 2014 dividend *(Note 9)*	–	(14,547)	–	–	(14,547)
Balance at 30 June 2015 (Unaudited)	6,164	724,716	421,925	(87,350)	1,065,455

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Notes	2016 *HK$'000* (Unaudited)	2015 *HK$'000* (Unaudited)
Cash flows from operating activities			
Profit before tax		**133,083**	145,099
Adjustments for:			
Depreciation	*7*	**2,913**	2,672
Share option expenses	*18*	**3,401**	9,053
Interest income	*4*	**(8)**	(24)
Finance costs		**28,404**	14,043
Allowance for unutilised leave provision		**140**	2
Share of results of joint ventures		**457**	(282)
Amortisation of capitalised transaction cost		**2,036**	–
Foreign currency realignment		**33,960**	(6,961)
		71,303	18,503
Cash flows from operating activities before movements in working capital		**204,386**	163,602
Movements in working capital:			
Trade receivables		**(401,938)**	(261,520)
Other receivables		**37,933**	55,849
Inventories		**(9,708)**	(532)
Trade payables		**18,340**	(9,794)
Trade financing and bill payables		**83,018**	90,446
Other payables and accruals		**(4,028)**	1,631
Cash (used in)/generated from operations		**(71,997)**	39,682
Income taxes paid		**(20,835)**	(16,878)
Net cash flows (used in)/generated from operating activities		**(92,832)**	22,804
Cash flows from investing activities			
Interest received		**8**	24
Cash placed in an Escrow account		**(111,342)**	(48,991)
Purchase of property, plant and equipment	*11*	**(1,404)**	(10,533)
Advances for patents and trademarks		**(73,699)**	–
Net cash flows used in investing activities		**(186,437)**	(59,500)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Notes	**2016** **HK$'000** **(Unaudited)**	2015 HK$'000 (Unaudited)
Cash flows from financing activities			
Interest and finance charges paid		**(28,404)**	(10,596)
Repayment of obligations under finance leases		**(2,344)**	(2,273)
Repayment of bank loans		**(709)**	(815)
Net proceeds from notes issued	16	**–**	421,261
Net cash flows (used in)/generated from financing activities		**(31,457)**	407,577
Net (decrease)/increase in cash and cash equivalents		**(310,726)**	370,881
Cash and cash equivalents at the beginning of the period		**444,905**	77,755
Effect of exchange rate changes, net		**4,764**	3,314
Cash and cash equivalents at the end of the period	13	**138,943**	451,950

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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.

These interim condensed consolidated financial statements are unaudited, but have been reviewed by the Audit Committee of the Company.

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.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (cont'd)

New standards, interpretations and amendments thereof, adopted by the Group (cont'd)

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 non-current 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.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (cont'd)

New standards, interpretations and amendments thereof, adopted by the Group (cont'd)

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.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (cont'd)

New standards, interpretations and amendments thereof, adopted by the Group (cont'd)

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.

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.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 solutions 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 cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude bank loans, notes issued, the 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.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

3. OPERATING SEGMENT INFORMATION (cont'd)

Six months ended 30 June 2016 (Unaudited)	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	972,945	19,839	5,616	58,679	24,877	1,081,956
Intersegment sales	–	–	330	–	–	330
	972,945	19,839	5,946	58,679	24,877	1,082,286
Elimination of intersegment sales						(330)
						1,081,956
Segment results	142,087	3,035	311	45,912	5,452	196,797
Reconciliation						
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)
Profit before tax						133,083
Income tax expense						(28,526)
Profit for the period						104,557

As at 30 June 2016 (Unaudited)	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 assets	1,687,287	29,199	13,843	84,838	30,084	1,845,251
Reconciliation						
Corporate and other unallocated assets						1,175,481
Total assets						3,020,732
Segment liabilities	787,784	11,386	8,110	1,805	(140)	808,945
Reconciliation						
Corporate and other unallocated liabilities						575,801
Total liabilities						1,384,746

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

3. OPERATING SEGMENT INFORMATION (cont'd)

Six months ended 30 June 2015 (Unaudited)	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	1,019,253	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)
Elimination of intersegment sales						1,139,143
Segment results	187,750	13,856	(1,591)	2,615	(4,401)	198,229
Reconciliation						
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 from continuing operations						145,099
Income tax expenses						(28,742)
Profit for the period						116,357

As at 31 December 2015 (Audited)	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 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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

3. OPERATING SEGMENT INFORMATION (cont'd)

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**	–	0.0
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	**1,081,956**	**100.0**	1,139,143	100.0

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)
Revenue		
Sale of goods	**1,023,277**	1,135,484
Rendering of services	**58,679**	3,659
	1,081,956	1,139,143
Other income and gains		
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	**119**	4
	6,664	2,477

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

5. ADMINISTRATIVE EXPENSES

The Group's administrative expenses includes the following:

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Audit fees	**1,199**	1,030
Legal and professional fees	**3,017**	2,000
Rental	**4,215**	4,354
Share option expenses	**3,401**	9,053

6. FINANCE COSTS

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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

7. PROFIT BEFORE TAX

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

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

* 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:

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
– Current period	**28,526**	28,742

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. DIVIDENDS

During the period, a final dividend for year ended 31 December 2015 of HK$2.36 cents per share (six months ended 30 June 2015: a final dividend for year ended 31 December 2014 of HK$2.36 cents per share) was approved by the shareholders.

No dividend is proposed by the directors of the Company for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

10. 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:

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

11. 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 property, plant and equipment disposal during the six months ended 30 June 2016 and 30 June 2015.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

12. TRADE RECEIVABLES

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**1,169,476**	1,058,956
Less: Impairment	**(254)**	(240)
	1,169,222	1,058,716
Accrued revenue	**645,888**	354,456
	1,815,110	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.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

12. TRADE RECEIVABLES (cont'd)

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 15.

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:

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

13. CASH AND BANK BALANCES

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Cash on hand	**273**	298
Bank balances	**138,175**	444,195
Pledged fixed deposits	**495**	412
Cash and bank balances	**138,943**	444,905

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.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

14. TRADE PAYABLES

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

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:

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(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
	68,500	47,621

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

15. TRADE FINANCING AND BILLS PAYABLE

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

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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

16. 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 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 anytime 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.

17. SHARE CAPITAL

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Authorised:		
10,000,000,000 (31 December 2015: 10,000,000,000) ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid:		
718,992,897 (31 December 2015: 718,992,897) ordinary shares of HK$0.01 each	**7,190**	7,190

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

17. SHARE CAPITAL (cont'd)

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	**8,794,215**	**88**
At 31 December 2015	**718,992,897**	**7,190**
At 1 January 2016 and 30 June 2016	**718,992,897**	**7,190**

18. 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 cash options.

The expenses recognised for employee services received during the period is shown in the following table:

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

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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

18. SHARE-BASED PAYMENTS (cont'd)

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.

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

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:

	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

19. 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	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Financial assets:		
Loan and receivables		
Trade receivables	**1,815,110**	1,413,172
Other receivables (current)	**547,663**	405,031
Cash and bank balances	**138,943**	444,905
Total financial assets	**2,501,716**	2,263,108
Financial liabilities:		
Financial liabilities at amortised cost		
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
Total financial liabilities	**1,282,179**	1,141,611

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 payables, 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.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

20. 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:

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

21. RELATED PARTY DISCLOSURES

(a) Transactions with related parties

The Group entered into the following significant transactions with related parties during the period:

		Six months ended 30 June	
		2016	2015
		HK$'000	*HK$'000*
	Note	**(Unaudited)**	(Unaudited)
Name of related party/Nature of transaction			
KIWA-CW (Shanghai) Manufacturing Co., Ltd.	*(i)*		
Purchases of goods		**20**	12

Note

(i) Joint venture.

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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

21. RELATED PARTY DISCLOSURES (cont'd)

(b) Outstanding balances with related parties

Due from related parties (Other receivables)

Name of related party	*Note*	**30 June 2016 *HK$'000* (Unaudited)**	31 December 2015 *HK$'000* (Audited)
KIWA-CW Machine Manufacturing (Shanghai) Co., Ltd.	*(i)*	**4,584**	5,257
Escrow fund placed with director-related company	*(ii)*	**411,227**	283,224
		415,811	288,481

Note

(i) Joint venture.

(ii) 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 30 June 2016, deposit of HK$411,227,000 was paid to an Escrow fund placed with a company, of which a non-executive director of the Company is a director, in relation to the potential acquisitions ahead.

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

Due to related parties (Trade payables)

Name of related party	*Note*	**30 June 2016 *HK$'000* (Unaudited)**	31 December 2015 *HK$'000* (Audited)
KIWA-CW Machine Manufacturing (Shanghai) Co., Ltd.	*(i)*	**47**	32

Note

(i) Joint venture.

Due to related parties (Other payables)

Name of related party	**30 June 2016 *HK$'000* (Unaudited)**	31 December 2015 *HK$'000* (Audited)
Mr. Wong Koon Lup, a director of the Company	**4**	33
Mr. Wong Mun Sum, a director of the Company	**807**	170
	811	203

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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

21. RELATED PARTY DISCLOSURES (cont'd)

(c) Compensation of key management personnel

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Directors' fees	**588**	391
Other remuneration:		
– Salaries and bonuses	**4,063**	3,987
– Retirement benefit scheme contributions	**172**	172
– Equity-settled share option expense	**2,814**	7,265
	7,637	11,815

22. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 26 August 2016.