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


TURNKEY SOLUTIONS

INDUSTRY 4.0
ENGINEERING SOLUTIONS

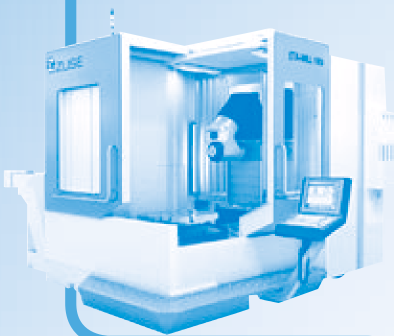

INDUSTRY 4.0

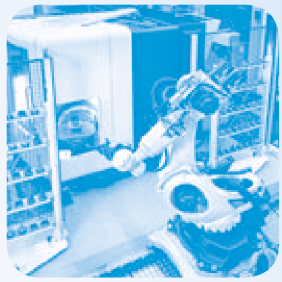

MACHINE TOOLS

2017 Interim Report


AEROSPACE


MEDICAL





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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Mr. Zhang Bing Cheng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kuan Cheng Tuck
Mr. Ong Su Aun, Jeffrey (Wang Ci'An, Jeffrey)
Mr. Liu Ji

COMPANY SECRETARY

Mr. Chan Kam Fuk

AUDIT COMMITTEE

Mr. Kuan Cheng Tuck *(Chairman)*
Mr. Ong Su Aun, Jeffrey (Wang Ci'An, Jeffrey)
Mr. Liu Ji

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Liu Ji *(Chairman)*
Mr. Ong Su Aun, Jeffrey (Wang Ci'An, Jeffrey)
Mr. Wong Koon Lup

AUTHORISED REPRESENTATIVES

Mr. Wong Koon Lup
Mr. Chan Kam Fuk

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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 (the "Board") of directors (the "Directors") 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 2017.

After a tough 2016, we were expecting 2017 to be a year of recovery. The first half of 2017 saw some slight recovery as we experienced increase in revenue from our precision engineering solutions projects, which saw an increase of 9.6% for the six months ended 30 June 2017. Our total revenue for the six months ended 30 June 2017 increased slightly by 4.1% from the previous corresponding period, from HK$1,082.0 million for the six months ended 30 June 2016 to HK$1,126.8 million for the current period. Despite the increase in revenue, our gross profits dropped by approximately HK$22.7 million (or 11.5%), from HK$196.8 million for the six months ended 30 June 2016, to HK$174.1 million for the current period. As explained in this interim report, this is mainly attributable to lesser revenue contributions from our after-sales technical support services which have a higher gross profit margin. However, profits for the six months ended 30 June 2017 increased by 3.5%, from HK$104.6 million for the six months ended 30 June 2016 to HK$108.2 million. The slight improvement to profits for the current period was mainly attributable to the gain in foreign exchange which contributed to an overall improvement of HK$21.2 million from the previous corresponding period, which helped make up for the reduction in gross profits.

Due to the slight recovery in the first half of 2017 and coupled with the Group's continued focus on precision engineering solutions projects, this segment business' contribution to our Group's total revenue increased from approximately 89.9% to 94.6% for the six months ended 30 June 2016 and 2017 respectively. As a result of our customers' increased willingness to spend on capital expenditure, this has reduced their needs for after sales technical support services, which resulted in a 72.4% decrease in revenue contribution to approximately HK$16.2 million for the six months ended 30 June 2017 (30 June 2016: approximately HK$58.7 million). For the renewable energy solutions segment, we have experienced a dearth of orders after we have completed our one-off project in Thailand in the last quarter of 2016. Revenue from this segment declined substantially by 97.6% from approximately HK$24.9 million for the six months ended 30 June 2016, to approximately HK$607,000 for the current period. This is an area which is under operational review by the Group.

During the six months ended 30 June 2017, we continued to maintain our key markets including Singapore, China, Indonesia, Malaysia, and Thailand. Despite the slowdown in the general market due to 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 such as our European subsidiary, which we have developed over the past few years should be bearing fruition in the near future.

In the United States (the "US"), policies have resulted in the global economy, world trade and security all being impacted to a great extent, with markets being affected as a result. However, the continuous efforts to secure trade deals with other key economies have created the potential for immense opportunities.

CHAIRMAN'S STATEMENT

It has been over a year since the United Kingdom (the "UK") voted for Brexit, with financial markets recovering from the aftermath of the unexpected decision. The volatility that the markets once possessed due to the vote has now soothed with all major markets being well above the pre-vote levels. Yet, the UK has not in fact exited the European Union, implying that future uncertainty and instability may return in the near future. In France, Emmanuel Macron winning the French election has offered comforts to many across Europeans and investors throughout the world's economy. In the current ever surprising political sphere, this result ensured stability and confidence, leading to the Euro to climb to its highest level in six months prior to the election. Elsewhere in Europe, continuing terrorists attacks in the continent has led to huge concerns about security and citizen's welfare. These unpredictabilities and the economic ambiguity provide a real opportunity for infiltration into the European market as well as the possibility for the procurement of technological proficiency.

In Asia, whilst China's economy continues to slow, they maintain their title as the strongest economy in the world. Their plan to shape up the economic order, creating a new kind of globalization that will draw countries and companies more tightly into China's orbit, has seen them reap in the rewards. Chinese investment has reached all corners of the globe, including Greece, Pakistan and Laos. The country is also transitioning into a high value economy, with the aim for Chinese companies to grow and move up the value chain in the areas of industrial production and technological innovation. Countries such as Thailand, Indonesia and India remain attractive to large volume of foreign direct investments ("FDI") due to the lower cost of labour in such countries. The potential in India is immense, with it being involved in $164 billion of all global merger activities compared to $42 billion five years ago. Looking into the future, the large-scale investment into these countries will create continuous demand for high-end precision machine tools and precision engineering solutions projects.

The Group's aim is 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 needs 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 harness 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, bridging the intellectual property rights concern, language and culture barriers. It is on this background that, we as a provider of one-stop precision engineering solutions with technological transfer capability are encouraged and optimistic on 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 2017

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2017	2016	Increase/
	(Unaudited)	(Unaudited)	(Decrease)
	HK$'000	*HK$'000*	%
Revenue	**1,126,812**	1,081,956	4.1
Cost of sales	**(952,663)**	(885,159)	7.6
Gross profit	**174,149**	196,797	(11.5)
Gross profit margin	**15.5%**	18.2%	(2.7)
Profit for the period	**108,212**	104,557	3.5
Earnings per share attributable to ordinary equity holders of the parent (HK cents)			
– Basic	**15.05**	14.54	3.5
– Diluted	**15.05**	13.76	9.4

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2017, revenue of the Group reached approximately HK$1,126.8 million, representing an increase of approximately HK$44.9 million or 4.1% from approximately HK$1,082.0 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				
	2017	**% of total revenue**	2016	% of total revenue	Increase/ (Decrease)
	HK$'000		*HK$'000*		%
Precision engineering solutions projects	**1,066,189**	**94.6**	972,945	89.9	9.6
Sales of CNC machining centres	**5,636**	**0.5**	19,839	1.8	(71.6)
Sales of components and parts	**38,186**	**3.4**	5,616	0.5	580.0
After-sales technical support services	**16,194**	**1.4**	58,679	5.4	(72.4)
Renewable energy solutions	**607**	**0.1**	24,877	2.3	(97.6)
Total	**1,126,812**	**100.0**	1,081,956	100.0	4.1

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 lines set-up, commissioning and maintenance of production lines. For the six months ended 30 June 2017 and 2016, contribution from precision engineering solutions projects increased from 89.9% to 94.6% of the total revenue for the previous and current periods respectively. Revenue from this business segment increased by 9.6% from approximately HK$972.9 million for the six months ended 30 June 2016, to approximately HK$1,066.2 million for the six months ended 30 June 2017. This is partly due to the slight recovery of the market, as well as the Group's strategy to focus more on precision engineering solutions projects.

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 2017 and 2016, approximately 0.5% and 1.8% of our total revenue was derived from sales of CNC machining centres respectively. Revenue from the sales of CNC machining centres dropped by 71.6% from approximately HK$19.8 million for the six months ended 30 June 2016, to approximately HK$5.6 million for the six months ended 30 June 2017. This is in line with the Group's direction to focus more on precision engineering solutions projects.

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 increased, contributing approximately 3.4% of our total revenue for the six months ended 30 June 2017, from 0.5% in the preceding corresponding period. Revenue from the sales of components and parts increased by 580.0% from approximately HK$5.6 million for the six months ended 30 June 2016, to approximately HK$38.2 million for the six months ended 30 June 2017. This increase is largely attributable to a precision engineering solutions project in Indonesia, which also required the supply of certain components and parts.

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 decreased significantly from 5.4% of our total revenue for the six months ended 30 June 2016 to 1.4% in the current period. Revenue from after-sales technical support services dropped by 72.4% from HK$58.7 million in the previous corresponding period, to HK$16.2 million for the six months ended 30 June 2017. The drop in revenue from after-sales technical support was largely due to the more depressed market conditions in the six months ended 30 June 2016, which led to many customers opting not to buy new equipment but looking for overhauled existing equipment instead, hence the higher revenue contribution from this segment in the corresponding period in 2016.

Revenue from the renewable energy solutions relates primarily to the manufacture and trade of solar photovoltaic panels and modules. Revenue contribution from this business segment decreased from 2.3% of our total revenue for the six months ended 30 June 2016 to 0.1% in the current period. Revenue from the renewable energy solutions reduced by 97.6% from approximately HK$24.9 million for the six months ended 30 June 2016, to approximately HK$607,000 for the six months ended 30 June 2017. The decrease was mainly due to the securing of a one-year contract to provide new energy solutions turnkey project in Thailand, which contributed to approximately HK$10.5 million in revenue for the six months ended 30 June 2016. Also contributing to the decrease was the Group's decision to reduce our focus on this business segment due to an overall slowdown within this industry. Hence, this is an area under operation review by the Group.

Cost of Sales

The cost of sales of our Group accounted for approximately 84.5% and 81.8% of our total revenue during the six months ended 30 June 2017 and 2016 respectively. Our cost of sales comprise 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				
	2017	**% of total cost of sales**	2016	% of total cost of sales	Increase/ (Decrease)
	HK$'000		*HK$'000*		%
Cost of goods sold	**950,175**	**99.7**	880,397	99.4	7.9
Direct labour costs	**1,928**	**0.2**	3,126	0.4	(38.3)
Direct depreciation expenses	**560**	**0.1**	1,636	0.2	(65.7)
Total	**952,663**	**100.0**	885,159	100.0	7.6

MANAGEMENT DISCUSSION AND ANALYSIS

For both the six months ended 30 June 2017 and 2016, cost of goods sold as a percentage of our Group's total cost of sales remained relatively constant, at 99.7% and 99.4% respectively. Cost of goods sold increased by 7.9% from approximately HK$880.4 million for the six months ended 30 June 2016, to approximately HK$950.2 million for the six months ended 30 June 2017. 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 People's Republic of China (the "PRC"), Singapore, Taiwan and the US. The increase in cost of goods sold, is mainly in line with the increase in revenue from the precision engineering solutions projects.

Direct labour costs comprise salaries and related costs for engineers as well as production and assembly staff. For the six months ended 30 June 2017 and 2016, direct labour costs was approximately 0.2% and 0.4% respectively. Direct labour costs decreased by 38.3% from approximately HK$3.1 million for the six months ended 30 June 2016 to approximately HK$1.9 million for the six months ended 30 June 2017. The decrease is primarily attributable to decrease in manpower in relation to the renewable energy solutions business segment due to a slowdown in this industry.

Direct depreciation expenses for both the six months ended 30 June 2017 and 2016 accounted for approximately 0.1% and 0.2% of our Group's total cost of sales respectively. Direct depreciation decreased by 65.7% from approximately HK$1.6 million in the previous corresponding period, to approximately HK$560,000 for the six months ended 30 June 2017. Direct depreciation expenses comprise depreciation charges on production related equipment. The decrease in direct depreciation expenses was mainly due to an impairment review conducted by the Group during the second half of 2016, which resulted in provision made for certain impaired equipment, and hence the reduced direct depreciation expenses.

Gross Profit and Gross Profit Margin

Despite the slight improvement in period-to-period revenue (increased by 4.1%), our gross profit and gross profit margin have both decreased. The gross profit for the six months ended 30 June 2017 was approximately HK$174.1 million, representing a drop of 11.5% from HK$196.8 million for the six months ended 30 June 2016. Gross profit margin also dropped by 2.7%, from 18.2% for the six months ended 30 June 2016 and to 15.5% for the six month ended 30 June 2017. This is largely attributable to the decreased contributions in the current period from the after-sales technical support services which enjoys higher gross profit margins.

Other Income and Gains

The other income and gains of our Group amounted to approximately HK$25.5 million and HK$6.7 million for the six months ended 30 June 2017 and 2016 respectively. The increase of 282.7% was largely attributable to the gain on repurchase of our Notes issued at a discount of approximately HK$7.7 million and the gain on foreign exchange of approximately HK$15.4 million for the six months ended 30 June 2017. This increment was partly offset by the one-off referral commissions received by our Group of approximately HK$3.1 million and HK$1.9 million for the China and Europe markets for the six months ended 30 June 2016 which was not received by our Group in the current period.

The foreign exchange gains were mainly attributable to the strengthening of the Singapore dollar against the Euro, US dollar and Hong Kong dollar, which is one of our main operating currencies as compared to a loss in the previous corresponding period.

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 0.5% and 0.7% of our revenue for the six months ended 30 June 2017 and 2016 respectively. Selling and distribution expenses in absolute terms, decreased from approximately HK$7.7 million for the six months ended 30 June 2016 to approximately HK$6.0 million for the six months ended 30 June 2017. This decrease was largely attributable to a decrease in commission expenses from approximately HK$1.2 million during the six months period ended 30 June 2016, to approximately HK$17,000 for the current period. The decrease in commission expenses is in relation to certain projects undertaken in 2015 which was completed in 2016, hence the final commission expenses for this project were recognised in 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$26.0 million for the six months ended 30 June 2016 to approximately HK$25.0 million for the six months ended 30 June 2017. The decrease was largely attributable to the decrease in expenses arising from equity-settled share-based payment transaction from approximately HK$3.4 million during the six months ended 30 June 2016, to approximately HK$806,000 for the six months ended 30 June 2017.

Finance Costs

Our Group's finance costs comprise primarily interest on bank loans and Notes issued, bank and other finance charges, and interest on finance leases. Our finance costs increased by approximately HK$5.5 million from about HK$30.4 million for the six months ended 30 June 2016 to about HK$35.9 million for the six months ended 30 June 2017. The increase was largely attributable to bank and other finance charges of approximately HK$5.0 million in relation to procuring of new banking facilities for the six months ended 30 June 2017.

Other Operating Expenses

Our Group's other operating expenses consist of realised and unrealised foreign exchange losses, allowance for goodwill, and provision for impairment of plant and equipment. Our Group had gains on foreign exchange for the six months ended 30 June 2017, which were recorded under other income and gains as compared to the other operating expenses of HK$5.8 million for the six months ended 30 June 2016.

Income Tax Expense

Our income tax expense decreased by 18.7%, from approximately HK$28.5 million for the six months ended 30 June 2016 to approximately HK$23.2 million for the six months ended 30 June 2017. This is in line with the decrease in profits before tax, mainly attributable to lower gross profits and also the higher finance costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the Period and Net Profit Margin

The Group recorded a profit of approximately HK$108.2 million for the six months ended 30 June 2017 which is an increase of approximately HK$3.6 million or 3.5% from approximately HK$104.6 million in the corresponding period in 2016. As explained above, despite having a lower gross profit, due to the increase in other income and a lower income tax expense, the Group was able to have an increase in profit of about 3.5% for the current period over the previous corresponding period.

Net profit margin remained relatively constant for both periods, with the net profit margin for the six months ended 30 June 2017 decreasing slightly to 9.6% from approximately 9.7% for the six months ended 30 June 2016.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

Our cash and bank balances amounted to approximately HK$143.0 million and HK$193.8 million as at 30 June 2017 and 31 December 2016 respectively. The functional currencies of the Group include the Malaysia ringgit, Renminbi, US dollar, Swiss franc and Singapore dollar. As at 30 June 2017, 68.5% of the Group's cash and bank balances were denominated in the respective functional currencies and the remaining 31.5% were in other currencies (mainly the Hong Kong dollar, Japanese yen and US dollar).

Our bank facilities as at 30 June 2017 were approximately HK$1,069.6 million (31 December 2016: HK$1,021.6 million), of which approximately HK$901.4 million of trade facilities were utilised (31 December 2016: HK$774.8 million). In addition, we had loans and borrowings drawn down of approximately HK$201.6 million as at 30 June 2017 (31 December 2016: HK$2.4 million), all of which were payable on demand or within one year. All outstanding loans and borrowings were denominated in Hong Kong dollar which bore interest rates ranging from 3.2% to 4.0% per annum (31 December 2016: 4.0% per annum).

CAPITAL MANAGEMENT

The capital structure of the Group consists of cash and cash equivalents, equity attributable to owners of the Company (comprising issued share capital and reserves), Notes issued, loans and other borrowings.

The Directors review the capital structure regularly. As part of this review, the Directors consider the costs of capital and the optimal use of debt and equity so as to maximise the return to stakeholders. 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. The Group does not use any financial instruments for hedging purposes.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE

During the six months ended 30 June 2017, the Group acquired, plant and equipment at a cost of approximately HK$109,000 as compared with approximately HK$4.9 million for the year ended 31 December 2016.

There was no plant and equipment disposal during the six months ended 30 June 2017 and 2016.

FUNDING AND TREASURY POLICIES

Our Group prudently managed its treasury functions and maintained a healthy liquidity position throughout the six months ended 30 June 2017. The Board closely monitors our liquidity position to ensure that the liquidity structure of our assets, liabilities and other commitments can meet its funding requirements from time to time.

CAPITAL COMMITMENTS

The Group did not have any material capital commitments as at 30 June 2017.

CHARGE ON ASSETS

As at 30 June 2017, the Group had pledged certain assets with a net book value of approximately HK$1.8 million under hire purchase financing.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group transacts business in various foreign currencies, including the US dollar, Euro, 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.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2017, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

MANAGEMENT DISCUSSION AND ANALYSIS

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 six months ended 30 June 2017.

CONTINGENT LIABILITIES

There were no material contingent liabilities as at 30 June 2017.

GEARING RATIO

Gearing ratio is measured by the total loans and borrowings, finance leases payables, trade financing and bills payables, and Notes issued divided by the total assets of the Group. As at 30 June 2017 and 31 December 2016, the gearing ratio were at 40.4% and 37.0% respectively.

BUSINESS REVIEW

After a tough 2016, we were expecting 2017 to be a year of recovery. The first half of 2017 saw some slight recovery as we experienced increase in revenue from our precision engineering solutions projects, which saw an increase of 9.6% for the six months ended 30 June 2017. Our total revenue for the six months ended 30 June 2017 increased slightly by 4.1% from the previous corresponding period, from HK$1,082.0 million for the six months ended 30 June 2016 to HK$1,126.8 million for the current period. Despite the increase in revenue, our gross profits dropped by approximately HK$22.7 million (or 11.5%), from HK$196.8 million for the six months ended 30 June 2016, to HK$174.1 million for the current period. As explained, this is mainly attributable to lesser revenue contributions from our after-sales technical support services which have a higher gross profit margin. However, profits for the six months ended 30 June 2017 increased by 3.5%, from HK$104.6 million for the six months ended 30 June 2016 to HK$108.2 million. The slight improvement to profits for the current period was mainly attributable to the gain in foreign exchange which contributed to an overall improvement of HK$21.2 million from the previous financial period, which helped make up for the reduction in gross profits.

Due to the slight recovery in the first half of 2017 and coupled with the Group's continued focus on precision engineering solutions projects this segment business' contribution to our Group's total revenue increased from approximately 89.9% to 94.6% for the six months ended 30 June 2016 and 2017 respectively. As a result of our customers' increased willingness to spend on capital expenditure, this has reduced their needs for after sales technical support services, which resulted in a 72.4% decrease in revenue contribution to approximately HK$16.2 million for the six months ended 30 June 2017 (30 June 2016: approximately HK$58.7 million). For the renewable energy solutions segment, we have experienced a dearth of orders after we have completed our one-off project in Thailand in the last quarter of 2016. Revenue from this segment declined substantially by 97.6% from approximately HK$24.9 million for the six months ended 30 June 2016, to approximately HK$607,000.00 for the current period. This is an area which is under operational review by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 June 2017, we continued to maintain our key markets including Singapore, China, Indonesia, Malaysia, and Thailand. Despite the slowdown in the general market due to 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 such as our European subsidiary, which we have developed over the past few years should be bearing fruition in the near future.

STRATEGY AND OUTLOOK

In the US, policies have resulted in the global economy, world trade and security all being impacted to a great extent, with markets being affected as a result. However, the continuous efforts to secure trade deals with other key economies have created the potential for immense opportunities.

It has been over a year since the UK voted for Brexit, with financial markets recovering from the aftermath of the unexpected decision. The volatility that the markets once possessed due to the vote has now soothed with all major markets being well above the pre-vote levels. Yet, the UK has not in fact exited the European Union, implying that future uncertainty and instability may return in the near future. In France, Emmanuel Macron winning the French election has offered comforts to many across Europeans and investors throughout the world's economy. In the current ever surprising political sphere, this result ensured stability and confidence, leading to the Euro to climb to its highest level in six months prior to the election. Elsewhere in Europe, continuing terrorists attacks in the continent has led to huge concerns about security and citizen's welfare. These unpredictabilities and the economic ambiguity provide a real opportunity for infiltration into the European market as well as the possibility for the procurement of technological proficiency.

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Countries such as Thailand, Indonesia and India remain attractive to large volume of FDI due to the lower cost of labour in such countries. The potential in India is immense, with it being involved in $164 billion of all global merger activities compared to $42 billion five years ago. Looking into the future, the large-scale investment into these countries will create continuous demand for high-end precision machine tools and precision engineering solutions projects.

The Group's aim is 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 needs 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 harness 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, bridging the intellectual property rights concern, language and culture barriers. It is on this background that, we as a provider of one-stop precision engineering solutions with technological transfer capability are encouraged and optimistic on 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

As at 30 June 2017, the Group had a total of 91 full-time employees, excluding 64 full-time employees in our joint ventures (31 December 2016: 121 full-time employees, excluding 70 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.

SHARE OPTION SCHEME

In order to provide an incentive or reward to eligible persons for their contributions 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 share 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. In respect of those share options granted to the controlling shareholders of the Company and executive Directors – Mr. Wong Koon Lup (15,410,425 share options) and Mr. Wong Mun Sum (12,328,340 share options), special approval for these grants was obtained from the independent shareholders of the Company at an extraordinary general meeting held on 29 June 2015. On 8 July 2015, Mr. Wong Koon Lup and Mr. Wong Mun Sum exercised 4,684,769 share options and 4,109,446 share options respectively. There were no other share options granted exercised, cancelled or lapsed during the six months ended 30 June 2017. As at 30 June 2017, Mr. Wong Koon Lup, Mr. Wong Mun Sum and Mr. Lee Tiang Soon held 10,725,656, 8,218,894 and 6,164,170 unexercised share options respectively, which remained the same as the beginning of the current financial period.

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE OF INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHANGE OF COMPOSITION OF REMUNERATION COMMITTEE AND AUDIT COMMITTEE

With effect from 12 July 2017, Mr. Chan Hon Chung, Johnny has resigned as an independent non-executive Director of the Company, the chairman of the Remuneration Committee and a member of the Audit Committee; and Mr. Liu Ji has been appointed as an independent non-executive Director of the Company, the chairman of the Remuneration Committee, and a member of the Audit Committee.

Mr. Liu Ji ("Mr. Liu"), aged 38, obtained a bachelor of science degree in applied accounting from Oxford Brookes University in association with The Association of Chartered Certified Accountants in 2003. He has been qualified as a Chartered Accountant of Singapore and is currently a member of the Institute of Singapore Chartered Accountants. Mr. Liu has over 14 years of experience in auditing and financial advisory. He is currently a director of Ecom Technology Pte. Ltd. in Singapore. Mr. Liu has been the independent non-executive director of Zheng Li Holdings Limited (HKSE: 8283) since November 2016. From September 2011 to October 2016, Mr. Liu worked at Ellis Botsworth Advisory Pte. Ltd., with his last position as the senior executive director and head of corporate advisory services. From May 2003 to September 2011, Mr. Liu worked at Deloitte & Touche LLP, with his last position as an audit manager.

Save as disclosed above, Mr. Liu has not been a director of any other listed companies in Hong Kong or overseas in the three years immediately preceding his appointment. Mr. Liu does not hold any other position in the Company or in any other subsidiary of the Group and is not connected to any Director, senior management or substantial or controlling shareholder of the Company. As at the date of this interim report, Mr. Liu does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO").

Mr. Liu has entered into a letter of appointment with the Company for a term of three years, subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the articles of association of the Company and the Rules Governing the Listing of securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Mr. Liu will be entitled to director's fees of S$60,000 per annum which has been determined by the Board on the recommendation of the Remuneration Committee with reference to his duties and responsibilities with the Company, his experience, and the prevailing practice in the market.

Save as disclosed above, Mr. Liu has confirmed that there is no other information that is required to be disclosed in accordance with Rule 13.51(2)(h) to (v) of the Listing Rules and there is no other matter relating to his appointment that needs to be brought to the attention of the shareholders of the Company.

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 2017, 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 SFO) which have been notified to the Company and The Stock Exchange of Hong Kong Limited (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 for Securities Transactions by Directors of Listed Companies (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)	Interest in controlled corporation	161,300,000 (L)	22.43%
	Beneficial owner	39,010,425 (L)	5.43%
Mr. Wong Mun Sum(2)(3)	Beneficial owner	37,928,340 (L)	5.28%
Mr. Lee Tiang Soon(4)	Beneficial owner	6,164,170 (L)	0.86%

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 161,300,000 shares held by WMS Holding Pte. Ltd. of the Company under Part XV of the SFO. As at 30 June 2017, Mr. Wong Koon Lup also held 28,284,769 shares and 10,725,656 unexercised share options pursuant to the share option scheme of the Company adopted on 14 March 2012.

(3) Mr. Wong Mun Sum held 29,709,446 shares and 8,218,894 unexercised share options pursuant to the share option scheme of the Company adopted on 14 March 2012.

(4) Mr. Lee Tiang Soon held 6,164,170 unexercised share options pursuant to the share option scheme of the Company adopted on 14 March 2012.

Save as disclosed above, as at 30 June 2017, 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 2017, 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	39,010,425 (L)	5.43%
Ms. Lou Swee Lan(3)	Family Interest	200,310,425 (L)	27.86%
Mr. Wong Mun Sum(2)	Beneficial owner	37,928,340 (L)	5.28%
New South Group Limited	Beneficial owner	112,885,747 (L)	15.70%
Shenzhen Hua Hang Xin Investment Center Limited Partnership* (深圳市華航鑫投資中心(有限合夥))(4)	Beneficial owner	107,848,935	15.00%
AVIC Trust Co., Ltd.* (中航信託股份有限公司)(4)	Interest in controlled corporation	107,848,935	15.00%
AVIC Capital Co., Ltd.* (中航資本控股股份有限公司)(4)	Interest in controlled corporation	107,848,935	15.00%

Notes:

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

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

For details, please refer to the Company's announcements 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. Wong 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)). AVIC Capital Co., Ltd.* (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 AVIC Capital Co., Ltd.* (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* (深圳市華航鑫投資中心(有限合夥)) under Part XV of the SFO.

* *For identification purposes only*

Save as disclosed above, as at 30 June 2017, the Directors are not aware of any other persons (who is not a Director or the Chief Executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company under Section 336 of the SFO.

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 2017, as contained in Appendix 14 to 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 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 2017. 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 2017.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the Group's unaudited interim results for the six months ended 30 June 2017.

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 2017.

INTERIM DIVIDEND

The Board of Directors does not recommend any interim dividend for the six months ended 30 June 2017 (30 June 2016: Nil).

INDEPENDENT AUDITOR'S 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 20 to 44, which comprise the interim condensed consolidated statement of financial position as at 30 June 2017, 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

30 August 2017

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

For the six months ended 30 June 2017

	Notes	Six months ended 30 June **2017** ***HK$'000*** **(Unaudited)**	 2016 *HK$'000* (Unaudited)
Revenue	*4*	**1,126,812**	1,081,956
Cost of sales		**(952,663)**	(885,159)
Gross profit		**174,149**	196,797
Other income and gains	*4*	**25,504**	6,664
Selling and distribution expenses		**(6,041)**	(7,654)
Administrative expenses	*5*	**(24,977)**	(25,991)
Finance costs	*6*	**(35,852)**	(30,440)
Other operating expenses		**–**	(5,836)
Share of loss of joint ventures		**(1,381)**	(457)
Profit before tax	*7*	**131,402**	133,083
Income tax expense	*8*	**(23,190)**	(28,526)
Profit for the period		**108,212**	104,557
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange difference related to foreign operations		**42,989**	33,835
Other comprehensive income for the period, net of tax		**42,989**	33,835
Total comprehensive income for the period		**151,201**	138,392
Profit for the period attributable to:			
Owners of the parent		**108,212**	104,557
Total comprehensive income for the period attributable to:			
Owners of the parent		**151,201**	138,392
Earnings per share attributable to ordinary equity holders of the parent (HK cents)	*10*		
Basic		**15.05**	14.54
Diluted		**15.05**	13.76

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Non-current assets			
Plant and equipment	11	**8,171**	9,617
Goodwill		**149**	141
Investments in joint ventures		**11,988**	13,320
		20,308	23,078
Current assets			
Inventories		**1,240**	268
Trade receivables	12	**2,269,740**	2,075,259
Other receivables		**1,138,559**	901,415
Cash and cash equivalents	13	**143,011**	193,790
		3,552,550	3,170,732
Current liabilities			
Loans and borrowings	14	**201,578**	2,400
Trade payables	15	**80,584**	122,053
Trade financing and bills payable	16	**901,387**	774,814
Other payables and accruals		**51,245**	39,422
Notes issued	17	**335,944**	–
Finance leases payable		**3,873**	4,575
Tax liabilities		**139,771**	128,827
		1,714,382	1,072,091
Net current assets		**1,838,168**	2,098,641
Total assets less current liabilities		**1,858,476**	2,121,719
Non-current liabilities			
Notes issued	17	**–**	396,254
Finance leases payable		**1,246**	3,297
Deferred tax liabilities		**737**	714
		1,983	400,265
Net assets		**1,856,493**	1,721,454
Capital and reserves			
Share capital	18	**7,190**	7,190
Retained earnings		**1,137,116**	1,045,872
Share premium reserve		**784,158**	784,158
Other reserves		**(71,971)**	(115,766)
Total equity attributable to owners of the parent		**1,856,493**	1,721,454

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Share capital HK$'000 (Note 18)	Retained earnings HK$'000	Share premium reserve HK$'000	Other reserves HK$'000	Total HK$'000
Balance at 1 January 2017	**7,190**	**1,045,872**	**784,158**	**(115,766)**	**1,721,454**
Profit for the period	**–**	**108,212**	**–**	**–**	**108,212**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**42,989**	**42,989**
Total comprehensive income for the period	**–**	**108,212**	**–**	**42,989**	**151,201**
Share option expenses	**–**	**–**	**–**	**806**	**806**
Dividend	**–**	**(16,968)**	**–**	**–**	**(16,968)**
Balance at 30 June 2017 (Unaudited)	**7,190**	**1,137,116**	**784,158**	**(71,971)**	**1,856,493**

	Share capital HK$'000 (Note 18)	Retained earnings HK$'000	Share premium reserve HK$'000	Other reserves HK$'000	Total HK$'000
Balance at 1 January 2016	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	–	–	–	3,401	3,401
Dividend	–	(16,968)	–	–	(16,968)
Balance at 30 June 2016 (Unaudited)	7,190	915,969	784,158	(71,331)	1,635,986

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Notes	**2017** **HK$'000** **(Unaudited)**	2016 HK$'000 (Unaudited)
Cash flows from operating activities			
Profit before tax		**131,402**	133,083
Adjustments for:			
Depreciation	*7*	**1,988**	2,913
Share option expenses	*5*	**806**	3,401
Bank interest income	*4*	**(28)**	(8)
Finance costs except for amortisation of Notes issued	*6*	**33,902**	28,404
Allowance for unutilised leave provision		**174**	140
Share of loss of joint ventures		**1,381**	457
Amortisation of Notes issued	*6*	**1,950**	2,036
Foreign currency realignment		**42,415**	33,960
		82,588	71,303
Cash flows from operating activities before movements in working capital		**213,990**	204,386
Movements in working capital:			
Trade receivables		**(194,481)**	(401,938)
Other receivables		**48,835**	37,933
Inventories		**(972)**	(9,708)
Trade payables		**(41,469)**	18,340
Trade financing and bill payables		**126,573**	83,018
Other payables and accruals		**(5,319)**	(4,028)
Cash generated from/(used in) operations		**147,157**	(71,997)
Income taxes paid		**(12,223)**	(20,835)
Net cash flows generated from/(used in) operating activities		**134,934**	(92,832)
Cash flows from investing activities			
Bank interest received	*4*	**28**	8
Net refund from/(deposit to) escrow fund		**126,243**	(111,342)
Purchase of plant and equipment	*11*	**(109)**	(1,404)
Advances for patents and trademarks		**–**	(73,699)
Advances for project investment		**(384,908)**	–
Net cash flows used in investing activities		**(258,746)**	(186,437)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Notes	2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
Cash flows from financing activities			
Interest and finance charges paid		**(33,902)**	(28,404)
Repayment of obligations under finance leases		**(2,753)**	(2,344)
Repayment of bank loans		**(737)**	(709)
Net proceeds from bank loan		**200,000**	–
Repurchase of Notes previously issued		**(84,986)**	–
Net cash flows generated from/(used in) financing activities		**77,622**	(31,457)
Net decrease in cash and cash equivalents		**(46,190)**	(310,726)
Cash and cash equivalents at the beginning of the period		**192,879**	444,905
Effect of exchange rate changes, net		**(4,504)**	4,764
Cash and cash equivalents at the end of the period	13	**142,185**	138,943
Cash and cash equivalents consist of:			
Cash and bank balances	13	**143,011**	138,943
Bank overdrafts	13	**(826)**	–
		142,185	138,943

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. CORPORATION INFORMATION

CW Group Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The Company's principal place of business is located at 26th floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong. The Company is an investment holding company.

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

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 2017 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 2016.

These interim condensed consolidated financial statements have not been audited but have been reviewed by the Company's audit committee.

New standards, interpretations and amendments 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 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017. 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 2017, 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:

Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative*

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ending 31 December 2017.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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

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

Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

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 conceptualisation and design to production lines set-up, commissioning and maintenance of production lines.

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

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

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, dividend income 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 interest-bearing loans and borrowings, Notes issued, tax liabilities, 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 2017

3. OPERATING SEGMENT INFORMATION (cont'd)

Six months ended 30 June 2017 (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	1,066,189	5,636	38,186	16,194	607	1,126,812
Intersegment sales	–	–	2,282	–	–	2,282
	1,066,189	5,636	40,468	16,194	607	1,129,094
Reconciliation						
Elimination of intersegment sales						(2,282)
Revenue						1,126,812
Segment results	155,571	937	5,787	13,053	(1,199)	174,149
Reconciliation						
Interest income						28
Unallocated other income and gains						25,476
Corporate and other unallocated expenses						(31,018)
Finance costs						(35,852)
Share of loss of joint ventures						(1,381)
Profit before tax						131,402
Income tax expense						(23,190)
Profit for the period						108,212

As at 30 June 2017 (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	2,158,032	2,912	84,933	28,223	14,937	2,289,037
Reconciliation						
Corporate and other unallocated assets						1,283,821
Total assets						3,572,858
Segment liabilities	945,499	734	35,873	1,962	43	984,111
Reconciliation						
Corporate and other unallocated liabilities						592,483
Tax liabilities						139,771
Total liabilities						1,716,365

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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
Reconciliation						
Elimination of intersegment sales						(330)
Revenue						1,081,956
Segment results	142,087	3,035	311	45,912	5,452	196,797
Reconciliation						
Interest income						8
Unallocated other income and gains						6,656
Corporate and other unallocated expenses						(39,481)
Finance costs						(30,440)
Share of loss of joint ventures						(457)
Profit before tax						133,083
Income tax expense						(28,526)
Profit for the period						104,557

As at 30 December 2016 (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	1,949,809	15,334	12,720	88,560	28,681	2,095,104
Reconciliation						
Corporate and other unallocated assets						1,098,706
Total assets						3,193,810
Segment liabilities	882,379	6,165	7,649	3,559	39	899,791
Reconciliation						
Corporate and other unallocated liabilities						443,738
Tax liabilities						128,827
Total liabilities						1,472,356

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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			
	2017		2016	
	HK$'000	**%**	*HK$'000*	%
	(Unaudited)		(Unaudited)	
Asia Pacific region:				
The People's Republic of China ("PRC")	**1,847**	**0.2**	74,140	6.9
Singapore	**55,471**	**4.9**	71,932	6.6
Indonesia	**271,749**	**24.1**	178,736	16.5
Malaysia	**197,976**	**17.6**	267,090	24.7
Hong Kong	**–**	**0.0**	3,202	0.3
India	**97,915**	**8.7**	204,739	18.9
Thailand	**462,003**	**41.0**	261,787	24.2
Others	**372**	**0.0**	–	0.0
Europe	**39,479**	**3.5**	20,330	1.9
Total	**1,126,812**	**100.0**	1,081,956	100.0

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net 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	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**1,110,618**	1,023,277
Rendering of services	**16,194**	58,679
	1,126,812	1,081,956
Other income and gains		
Bank interest income	**28**	8
Government subsidy	**227**	233
Consultant fee	**1,537**	1,329
Gain on repurchased notes, net	**7,683**	–
Commission for project	**–**	4,975
Rental income	**634**	–
Foreign exchange gain, net *(Note 7)*	**15,389**	–
Others	**6**	119
	25,504	6,664

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

5. ADMINISTRATIVE EXPENSES

Administrative expenses include, among others:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Auditor's remuneration	**1,283**	1,199
Legal and professional fees	**4,924**	3,017
Rental expenses	**4,817**	4,215
Share option expenses	**806**	3,401

6. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on finance leases	**180**	307
Bank overdraft interest and charges	**26**	15
Letter of credit and trust receipt charges	**14,172**	12,775
Bank and other finance charges	**5,024**	616
Interest on bank loans	**1,268**	7
Interest on Notes issued	**15,182**	16,720
	35,852	30,440

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**950,175**	880,397
Depreciation*	**1,988**	2,913
Employee benefits expenses (including directors' remuneration)**	**14,026**	18,109
Foreign exchange (gain)/loss, net*** *(Note 4)*	**(15,389)**	5,836
Minimum lease payments recognised as an operating lease#	**5,479**	4,924

* These amounts are included in "Cost of sales" of HK$561,000 (six months ended 30 June 2016: HK$1,636,000) and "Administrative expenses" of HK$1,427,000 (six months ended 30 June 2016: HK$1,277,000) in the interim condensed consolidated statement of profit or loss and other comprehensive income.

** This amount includes contributions to retirement benefit scheme of HK$1,237,000 (six months ended 30 June 2016: HK$1,229,000).

*** This amount is included in "Other income and gains" (six months ended 30 June 2016: "Other operating expenses") in the interim condensed consolidated statement of profit or loss and other comprehensive income.

These amount are included in "Cost of sales" of HK$726,000 (six months ended 30 June 2016: HK$1,375,000) and "Administrative expenses" of HK$4,753,000 (six months ended 30 June 2016: HK$3,549,000) in the interim condensed consolidated statement of profit or loss and other comprehensive income.

8. INCOME TAX EXPENSE

The component of income tax expense in the interim condensed consolidated statement of profit or loss and other comprehensive income includes:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
– Current period	**23,190**	28,526

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.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

9. DIVIDENDS

The final dividend of HK$2.36 cents per share amounting to HK$16,968,000 for the financial year ended 31 December 2016 was approved on 29 March 2017 and paid on 27 July 2017.

No dividend is proposed by the directors of the Company for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount 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 2016: 718,993,000) in issue during the period.

The calculation of diluted earnings per share amount for the period ended 30 June 2016 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 ended 30 June 2016, 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.

No adjustment has been made to the basic earnings per share amount presented for the period ended 30 June 2017 in respect of a dilution as the exercise price of the outstanding share options exceeds the average market price of the Company's ordinary shares.

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**108,212**	104,557
	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 calculation	**718,993**	718,993
Effects of dilution — weighted average number of ordinary shares:		
– Share options	**–**	41,135
	718,993	760,128

11. PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2017, the Group acquired plant and equipment with a cost of HK$109,000 (31 December 2016: HK$4,916,000).

There were no plant and equipment disposed during the six month ended 30 June 2017 and 30 June 2016.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

12. TRADE RECEIVABLES

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**1,568,230**	1,137,316
Less: Impairment	**(250)**	(236)
	1,567,980	1,137,080
Accrued revenue	**701,760**	938,179
	2,269,740	2,075,259

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 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 2017

12. TRADE RECEIVABLES (cont'd)

Trade receivables included HK$384,870,000 (31 December 2016: HK$313,805,000) which have been pledged to secure the Group's trade financing and bill payables as set out in Note 16.

The following is an ageing analysis of the Group's trade receivables (net of allowance for doubtful debts and excluding accrued revenue) as at 30 June 2017 and 31 December 2016, presented based on invoice date:

	30 June 2017 *HK$'000* **(Unaudited)**	31 December 2016 *HK$'000* (Audited)
0 to 90 days	**631,464**	546,322
91 to 180 days	**618,291**	336,899
181 to 360 days	**318,160**	253,311
Over 360 days	**65**	548
	1,567,980	1,137,080

13. CASH AND CASH EQUIVALENTS

	30 June 2017 *HK$'000* **(Unaudited)**	31 December 2016 *HK$'000* (Audited)
Cash on hand	**56**	49
Bank balances	**142,468**	193,281
Pledged fixed deposits	**487**	460
Cash and bank balances	**143,011**	193,790
Bank overdrafts	**(826)**	(911)
Cash and cash equivalents in the statement of cash flows	**142,185**	192,879

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 2017

14. LOANS AND BORROWINGS

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 *HK$'000* (Audited)
Bank overdrafts repayable on demand	**826**	911
Interest-bearing loans	**200,752**	1,489
	201,578	2,400
Carrying amount repayable:		
On demand or within one year	**201,578**	2,400

The bank overdrafts bore interest at the higher of (i) the bank's prime lending rate less 2.0% and (ii) bank's cost of fund during the period ended 30 June 2017.

The interest-bearing loans bore interest at 3.2% to 4.0% per annum as at 30 June 2017 (31 December 2016: 4.0%). This loan was secured by corporate guarantee given by the Company.

Included in loans and borrowings are the following amounts denominated in currency other than the functional currencies of the relevant companies of the Group:

	30 June 2017 HK$'000	31 December 2016 *HK$'000*
Hong Kong dollar	**201,578**	2,400

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

15. TRADE PAYABLES

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**79,905**	94,235
Trade payable to joint ventures	**4**	–
Accrued payables	**675**	27,818
	80,584	122,053

The following is an ageing analysis of the Group's trade payables (excluding accrued payables and trade payable to joint ventures) as at 30 June 2017 and 31 December 2016, presented based on invoice date:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 90 days	**53,441**	56,453
91 to 180 days	**8,824**	9,034
181 to 360 days	**3,020**	15,334
Over 360 days	**14,620**	13,414
	79,905	94,235

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

16. TRADE FINANCING AND BILLS PAYABLE

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade financing and bills payable	**901,387**	774,814

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 2017

17. NOTES ISSUED

Notes issued related to fixed rate notes amounting to S$75,000,000 (approximately equivalent to HK$432,277,000) issued by CW Advanced Technologies Pte. Ltd. (the "Issuer") 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.

In April 2017, the board of Directors (the "Board") announced that the Issuer would like to repurchase from the holders of the Notes (the "Noteholders") up to S$15,000,000 in aggregate principal amount of Notes for cash in the open market at the repurchase price of 90% of the Notes with accrued interest (the "Repurchase"). The Company appointed DBS Bank Ltd. as the buyback agent in relation to the Repurchase. At the end of the repurchase period, the Issuer repurchased S$15,000,000 in aggregate principal amount of the Notes pursuant to the Repurchase.

In June 2017, the Issuer further commenced an invitation to the Noteholders to offer to sell for cash to the Issuer up to an aggregate principal amount of S$20,000,000. At the end of the invitation, the Issuer accepted for tender S$2,250,000 in aggregate principal amount of the Notes.

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.

Event after the Reporting Period

On 4 July 2017, subsequent to the payout, the aggregate principal amount of the Notes outstanding is S$57,750,000 (approximately equivalent to HK$331,220,000).

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

18. SHARE CAPITAL

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Authorised:		
10,000,000,000 (31 December 2016: 10,000,000,000) ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid:		
718,992,897 (31 December 2016: 718,992,897) ordinary shares of HK$0.01 each	**7,190**	7,190

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 2016, 31 December 2016, 1 January 2017 and 30 June 2017	**718,992,897**	**7,190**

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

19. SHARE-BASED PAYMENTS

On 17 December 2014, 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 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. The options expire on 17 December 2019. The contractual term of each of the Option granted is five years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Expenses arising from equity-settled share-based payment transaction	**806**	3,401

There was no cancellation or modification to the awards as at 30 June 2017.

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			
	2017		2016	
	(Unaudited)		(Unaudited)	
		WAEP		WAEP
	No.	***HK$***	No.	*HK$*
Outstanding at 1 January/30 June	**41,135,562**	**2.09**	41,135,562	2.09
Exercisable at 30 June	**41,135,562**	**2.09**	24,492,303	2.09

The exercise price for options outstanding at the end of the period was HK$2.09. The weighted average remaining contractual life for these options is 2.46 years (31 December 2016: 2.96 years).

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

20. FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments held by the Group as at 30 June 2017 and 31 December 2016:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Financial assets:		
Loan and receivables		
Trade receivables	**2,269,740**	2,075,259
Other receivables	**757,429**	499,905
Cash and cash equivalents	**143,011**	193,790
Total financial assets	**3,170,180**	2,768,954
Financial liabilities:		
Financial liabilities at amortised cost		
Loans and borrowings	**201,578**	2,400
Trade payables	**80,584**	122,053
Trade financing and bills payable	**901,387**	774,814
Other payables and accruals	**43,055**	29,391
Finance leases payable	**5,119**	7,872
Notes issued	**335,944**	396,254
Total financial liabilities	**1,567,667**	1,332,784

Fair value

The fair values 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 cash equivalents, pledged deposits, trade receivables, trade payables, trade financing and bills payable, financial assets included in other receivables and financial liabilities included in other payables and accruals, loans and borrowings, current portion of finance leases payable and Notes issued approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the non-current portion of finance leases payables is reasonable approximation of fair values either due to the relatively short term nature or that it is floating rate instrument that is re-priced to market interest rates on or near the end of the reporting period.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

21. COMMITMENTS

Operating leases – as lessee

As at 30 June 2017 and 31 December 2016, 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 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**7,571**	9,350
In the second to fifth years, inclusive	**6,455**	8,740
	14,026	18,090

22. RELATED PARTY DISCLOSURES

(a) Transactions with related parties

The Group entered into the following transactions with related parties:

		Six months ended 30 June	
		2017	2016
		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

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 2017

22. RELATED PARTY DISCLOSURES (cont'd)

(b) Outstanding balances with related parties

Due from related parties (Other receivables)

Name of related party	*Notes*	**30 June 2017 *HK$'000* (Unaudited)**	31 December 2016 *HK$'000* (Audited)
KIWA-CW Machine Manufacturing (Shanghai) Co., Ltd.	*(i)*	**4,419**	4,252
Escrow fund placed with a director-related entity	*(ii)*	**132,693**	245,067
		137,112	249,319

Notes

(i) Joint venture.

(ii) An escrow fund placed with an entity, of which an independent non-executive director of the Company is a partner.

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 2017 *HK$'000* (Unaudited)**	31 December 2016 *HK$'000* (Audited)
KIWA-CW Machine Manufacturing (Shanghai) Co., Ltd.	*(i)*	**4**	–

Note

(i) Joint venture.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

22. RELATED PARTY DISCLOSURES (cont'd)

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

Due to related parties (Other payables)

Name of related party	*Note*	**30 June 2017** ***HK$'000*** **(Unaudited)**	31 December 2016 *HK$'000* (Audited)
Mr. Wong Koon Lup, a director of the Company		**8**	8
Mr. Wong Mun Sum, a director of the Company		**1,121**	529
Dominic Schindler Creations (Singapore) Pte. Ltd.	*(i)*	**568**	537
Shanghai Sicheng Technology Co., Ltd.	*(i)*	**552**	558
		2,249	1,632

Note

(i) Joint venture.

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

(c) Compensation of key management personnel

	Six months ended 30 June	
	2017 ***HK$'000*** **(Unaudited)**	2016 *HK$'000* (Unaudited)
Directors' fees	**563**	588
Other remuneration:		
– Salaries and bonuses	**4,206**	4,063
– Retirement benefit scheme contributions	**197**	172
– Share option expenses	**667**	2,814
	5,633	7,637

23. SUBSEQUENT EVENTS

Except as disclosed in Note 17, there were no other significant subsequent events.

24. APPROVAL OF THE FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 30 August 2017.