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CW GROUP HOLDINGS LIMITED
創達科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1322)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

	For the years ended 31 December		
	2017	2016	Increase/
	HK$'000	*HK$'000*	(Decrease)
Revenue	**2,337,317**	2,462,017	(5.1%)
Cost of sales	**(1,946,991)**	(1,994,345)	(2.4%)
Gross profit	**390,326**	467,672	(16.5%)
Gross profit margin	**16.7%**	19.0%	(2.3%)
Profit for the year	**249,316**	234,460	6.3%
Earnings per share attributable to ordinary equity holders of the parent (HK cents):			
– Basic	**34.68**	32.61	6.3%
– Diluted	**34.68**	32.61	6.3%
Dividend per share (HK cents)	**2.36**	2.36	0.0%

- Revenue for the year ended 31 December 2017 was approximately HK$2,337.3 million, representing a decrease of 5.1% from the preceding financial year.

- Gross profit decreased by 16.5% to approximately HK$390.3 million for the year ended 31 December 2017 as compared with approximately HK$467.7 million for the year ended 31 December 2016.

- Gross profit margin decreased by 2.3% from the preceding financial year to 16.7% for the year ended 31 December 2017.

- Although gross profit decreased by approximately HK$77.3 million, profit for the year improved by 6.3% or approximately HK$14.8 million from approximately HK$234.5 million for the year ended 31 December 2016 to approximately HK$249.3 million. The reduction in gross profit was ameliorated by mainly the gain from the partial redemption of notes issued and the net foreign exchange gains of approximately HK$8.5 million and HK$27.4 million respectively. Additionally, there was no impairment loss recorded for the year ended 31 December 2017, while allowances made in relation to the impairment of goodwill and impairment of plant and equipment of approximately HK$5.2 million and HK$29.6 million, respectively, was recorded for the year ended 31 December 2016.

- Both the basic and diluted earnings per share for the year ended 31 December 2017 were approximately HK34.68 cents (31 December 2016: HK32.61 cents).

- Final dividend of HK2.36 cents per share is recommended by the Board (2016: HK2.36 cents).

The board (the "**Board**") of directors (the "**Directors**") of CW Group Holdings Limited (the "**Company**") is pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the financial year ended 31 December 2017, together with comparative figures for the preceding financial year ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*4*	**2,337,317**	2,462,017
Cost of sales		**(1,946,991)**	(1,994,345)
Gross profit		**390,326**	467,672
Other income and gains	*4*	**47,320**	10,445
Selling and distribution expenses		**(12,211)**	(13,651)
Administrative expenses	*5*	**(54,382)**	(60,029)
Finance costs	*6*	**(71,368)**	(61,659)
Other operating expenses	*7*	**–**	(40,992)
Share of loss from joint ventures		**(632)**	(28)
Profit before tax	*8*	**299,053**	301,758
Income tax expense	*9*	**(49,737)**	(67,298)
Profit for the year		**249,316**	234,460
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent year:			
Exchange difference related to foreign operations		**68,213**	(13,197)
Other comprehensive income for the year, net of tax		**68,213**	(13,197)
Total comprehensive income for the year		**317,529**	221,263

	Note	2017 HK$'000	2016 HK$'000
Profit for the year attributable to:			
Owners of the parent		**249,316**	234,460
Profit for the year		**249,316**	234,460
Total comprehensive income for the year attributable to:			
Owners of the parent		**317,529**	221,263
		317,529	221,263
Earnings per share attributable to ordinary equity holders of the parent (HK cents)			
– Basic	*11*	**34.68**	32.61
– Diluted	*11*	**34.68**	32.61

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	31 December 2017 HK$'000	31 December 2016 HK$'000
Non-current assets			
Plant and equipment		**6,068**	9,617
Goodwill		**154**	141
Investments in joint ventures	*12*	**12,688**	13,320
		18,910	23,078
Current assets			
Inventories		**998**	268
Trade receivables	*13*	**2,386,810**	2,075,259
Other receivables		**1,400,062**	901,415
Cash and cash equivalents	*14*	**77,431**	193,790
		3,865,301	3,170,732
Current liabilities			
Loans and borrowings	*15*	**200,996**	2,400
Trade payables	*16*	**192,508**	122,053
Trade financing and bills payable	*17*	**947,481**	774,814
Other payables and accruals		**41,762**	39,422
Finance lease payable		**3,283**	4,575
Notes issued	*18*	**321,599**	–
Tax liabilities		**152,459**	128,827
		1,860,088	1,072,091
Net current assets		**2,005,213**	2,098,641
Total assets less current liabilities		**2,024,123**	2,121,719
Non-current liabilities			
Notes issued	*18*	**–**	396,254
Finance lease payable		**532**	3,297
Deferred tax liabilities		**770**	714
		1,302	400,265
Net assets		**2,022,821**	1,721,454
Capital and reserves			
Share capital	*19*	**7,190**	7,190
Retained earnings		**1,278,220**	1,045,872
Share premium reserve		**784,158**	784,158
Other reserves		**(46,747)**	(115,766)
Total equity attributable to owners of the parent		**2,022,821**	1,721,454

NOTES TO THE FINANCIAL STATEMENTS

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 House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The Company's principal place of business in Hong Kong is located at 7th Floor, No.9 Queen's Road Central, Hong Kong. The principal business activities of the Company and its subsidiaries (the "**Group**") are described in Note 3.

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance.

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in *Annual Improvements IFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

None of the above amendments to IFRSs has had a significant financial effect on these financial statements. Disclosure has been made in notes to the financial statements upon the adoption of amendments to IAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The nature and the impact of the amendments are described below:

(a) Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in notes to the financial statements.

(b) Amendments to IAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, 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. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to IFRS 12 clarify that the disclosure requirements in IFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of IFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group did not have any interest that is classified as held for sale as at 31 December 2017.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[2]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IFRS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below:

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt IFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of IFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair values through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group expects that the provision for impairment will increase upon the initial adoption of the standard.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

IFRS 15, issued in May 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group will adopt IFRS 15 from 1 January 2018 and plans to adopt the transitional provisions in IFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of IFRS 15 will not be material. However, the expected changes in accounting policies, as further explained below, will have a material impact on the Group's financial statements from 2018 onwards. During 2017, the Group has performed an assessment on the impact of the adoption of IFRS 15.

The Group's principal activity is on the precision engineering solutions projects, which relates to provision of industrial solutions specific to machine tools and industrial machinery and equipment encompassing conceptualisation and design to production set-up, commissioning and maintenance of production lines. The expected impacts arising from the adoption of IFRS 15 on the Group are summarised as follows:

(a) Integrated turnkey engineering solutions projects (with hardwares and softwares), with full installation commissioning and after-sales services

The Group provides integrated turnkey line engineering solutions projects, which are currently recognized upon acknowledgements by customers in its totality. Then commissioning and installation works are expected to be completed at customers' sites, before a period of after-sales services for our customers, post installation. Based on the Group's assessment, for integrated turnkey line engineering solutions projects contracts, all promised goods and services, including professional CNC equipment, toolings and fixtures, embedded software and related integration and programming services in the terms have been identified as one separate performance obligation ("SPO") which does not create an asset with an alternative use and the Group has an enforceable right to payment upon customers' acceptances. Therefore, under IFRS 15, a substantial portion of the revenue from the integrated turnkey line engineering solutions projects will be recognized at point of acceptances/acknowledgements, while the remaining portion will be recognized at the point of commission and installation.

(b) Transaction price of integrated turnkey line engineering solutions projects

The contracts of integrated turnkey line engineering solutions projects are fixed price contracts, with no non-refundable up-front fee. There is no variable consideration in the forms of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items. The amount of consideration is not contingent on the occurrence or non-occurrence of a future event, for example, a product sold with a right of return or a fixed amount promised as a performance bonus on achievement of a specified milestone. The timing of payments agreed to by the parties to the contract (either explicitly or implicitly) does not provide the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer.

(c) Presentation and disclosure

The presentation and disclosure requirements in IFRS 15 are more detailed than those under the current IAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation.

In addition, as required by IFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

IFRS 16, issued in January 2016, replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from 1 January 2019. The Group is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$17,198,000. Upon adoption of IFRS 16, certain amounts included therein may need to be recognised as new rights-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights-of-use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Amendments to IAS 40, issued in December 2016, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

IFRIC 22, issued in December 2016, provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

IFRIC 23, issued in June 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The amendments are not expected to have any significant impact on the Group's financial statements.

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 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.

Year ended 31 December 2017	**Precision engineering solutions projects** *HK$'000*	**Sales of CNC machining centres** *HK$'000*	**Sales of components and parts** *HK$'000*	**After-sales technical support services** *HK$'000*	**Renewable energy solutions** *HK$'000*	**Total** *HK$'000*
Segment revenue						
Sales to external customers	**2,254,927**	**8,016**	**39,023**	**32,897**	**2,454**	**2,337,317**
Intersegment sales	**–**	**–**	**2,327**	**–**	**–**	**2,327**
	2,254,927	**8,016**	**41,350**	**32,897**	**2,454**	**2,339,644**
Reconciliation						
Elimination of intersegment sales						**(2,327)**
Revenue						**2,337,317**
Segment results	**360,753**	**1,039**	**2,864**	**26,032**	**(362)**	**390,326**
Reconciliation						
Interest income						**54**
Unallocated other income and gains						**47,266**
Corporate and other unallocated expenses						**(66,593)**
Finance costs						**(71,368)**
Share of loss of joint ventures						**(632)**
Profit before tax						**299,053**
Income tax expense						**(49,737)**
Profit for the year						**249,316**

As at 31 December 2017	**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	**2,317,189**	**6,335**	**40,922**	**26,026**	**16,455**	**2,406,927**
Reconciliation						
Corporate and other unallocated assets						**1,477,284**
Total assets						**3,884,211**
Segment liabilities	**1,110,735**	**1,908**	**25,701**	**2,693**	**201**	**1,141,238**
Reconciliation						
Corporate and other unallocated liabilities						**567,693**
Tax liabilities						**152,459**
Total liabilities						**1,861,390**
Other segment information						
Depreciation	**–**	**(371)**	**(494)**	**–**	**(296)**	**(1,161)**
Write-back of impairment of plant and equipment	**–**	**–**	**–**	**–**	**940**	**940**
Write-back of inventory obsolescence	**–**	**–**	**–**	**–**	**1,885**	**1,885**

* Capital expenditure relates to addition of plant and equipment.

Year ended 31 December 2016	Precision engineering solutions projects *HK$'000*	Sales of CNC machining centres *HK$'000*	Sales of components and parts *HK$'000*	After-sales technical support services *HK$'000*	Renewable energy solutions *HK$'000*	Total *HK$'000*
Segment revenue						
Sales to external customers	2,261,166	22,058	9,816	116,307	52,670	2,462,017
Intersegment sales	–	–	329	–	239	568
	2,261,166	22,058	10,145	116,307	52,909	2,462,585
Reconciliation						
Elimination of intersegment sales						(568)
Revenue						2,462,017
Segment results	365,861	3,928	(4,154)	96,035	6,002	467,672
Reconciliation						
Interest income						35
Unallocated other income and gains						10,410
Corporate and other unallocated expenses						(114,672)
Finance costs						(61,659)
Share of profit of joint ventures						(28)
Profit before tax						301,758
Income tax expense						(67,298)
Profit before tax						234,460

Year ended 31 December 2016	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
Other segment information						
Depreciation	–	–	(907)	–	(1,950)	(2,857)
Capital expenditure (*)	–	–	–	–	(602)	(602)
Allowance for impairment of plant and equipment	–	(16,707)	–	–	(12,907)	(29,614)
Allowance for inventory obsolescence	–	–	(919)	–	(3,998)	(4,917)
Allowance for impairment of goodwill	–	–	–	–	(5,221)	(5,221)

* Capital expenditure relates to addition of plant and equipment.

Geographical information

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

	2017 *HK$'000*	**%**	2016 *HK$'000*	%
Asia Pacific region:				
The People's Republic of China (the "**PRC**")	**4,940**	**0.2**	79,468	3.2
Singapore	**102,863**	**4.4**	195,384	7.9
Indonesia	**588,046**	**25.2**	467,385	19.0
Malaysia	**525,417**	**22.5**	667,856	27.1
Thailand	**816,309**	**34.9**	683,702	27.8
India	**242,984**	**10.4**	323,291	13.1
Hong Kong	**–**	**–**	3,835	0.2
Others	**1,342**	**0.1**	–	–
Europe	**55,416**	**2.3**	41,096	1.7
Total	**2,337,317**	**100.0**	2,462,017	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 year.

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

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**2,304,420**	2,345,710
Rendering of services	**32,897**	116,307
	2,337,317	2,462,017
Other income		
Commission income	**6,096**	5,885
Consultant fees income	**2,798**	2,791
Reversal of long overdue creditor	**–**	478
Government grants[1]	**324**	417
Compensation from supplier	**–**	411
Rental income	**1,129**	317
Bank interest income	**54**	35
Gain on disposal of plant and equipment	**–**	19
Gain on partial redemption of notes issued	**8,524**	–
Net foreign exchange gain	**27,410**	–
Reversal of impairment on plant and equipment	**940**	–
Others	**45**	92
	47,320	10,445

1 Government grants mainly include Special Employment Credit ("**SEC**") for older employees, Temporary Employment Credit ("**TEC**"), childcare leave grants, maternity leave and wage credit scheme from Singapore government. There are no unfulfilled conditions or contingencies relating to these subsidiaries.

5. ADMINISTRATIVE EXPENSES

Administrative expenses include:

	2017	2016
	HK$'000	*HK$'000*
Depreciation of plant and equipment	**3,052**	2,622
Share option expenses	**806**	5,998
Legal and professional fees	**10,908**	13,359
Auditors' remuneration	**2,366**	2,364
Rental expenses	**9,174**	7,444
Employee benefits expenses	**10,331**	9,638

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on finance leases	**302**	554
Bank overdraft interest and charges	**50**	41
Letters of credit and trust receipt charges	**32,943**	28,389
Interest on notes issued	**33,095**	32,660
Bank and other finance charges	**4,978**	15
	71,368	61,659

7. OTHER OPERATING EXPENSES

	2017	2016
	HK$'000	*HK$'000*
Allowance for impairment of goodwill	–	5,221
Allowance for impairment of plant and equipment	–	29,614
Net foreign exchange loss	–	6,157
	–	40,992

8. PROFIT BEFORE TAX

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

	2017	2016
	HK$'000	*HK$'000*
Cost of inventories sold	**1,942,574**	1,985,343
Depreciation of plant and equipment*	**4,070**	5,882
Net foreign exchange (gain)/loss***	**(27,410)**	6,157
Employee benefits expenses (including directors' remuneration)**	**28,102**	30,611
Allowance for doubtful debt	**31**	1
Allowance for impairment of goodwill***	**-**	5,221
(Write-back of)/Allowance for inventory obsolescence#	**(1,885)**	4,917
Minimum lease payments recognised as an operating lease ##	**10,128**	9,845
(Write-back of)/Allowance for impairment of plant and equipment***	**(940)**	29,614

* These amounts are included in "Cost of sales" of HK$1,018,000 (2016: HK$3,260,000) and "Administrative expenses" of HK$3,052,000 (2016: HK$2,622,000) in the consolidated statement of profit or loss and other comprehensive income.

** This amount includes contribution to pension scheme contributions of HK$2,471,000 (2016: HK$2,936,000) and share option expense of HK$806,000 (2016: HK$5,998,000).

*** The allowance for impairment of goodwill, allowance for impairment of plant and equipment and net foreign exchange loss are included in "Other operating expenses" in the consolidated statement of profit or loss and other comprehensive income.

These amounts are included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

These amounts are included in "Cost of sales" of HK$954,000 (2016: HK$2,401,000) and "Administrative expenses" of HK$9,174,000 (2016: HK$7,444,000) in the consolidated statement of profit or loss and other comprehensive income.

9. INCOME TAX EXPENSE

The major component of income tax expense in the consolidated statement of profit and loss and other comprehensive income is:

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
– Current year	**49,714**	68,100
– Under/(over) provision in respect of previous year	**23**	(802)
Total income tax recognised in profit or loss	**49,737**	67,298

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.

10. DIVIDEND

	2017 *HK$'000*	2016 *HK$'000*
Declared and paid during the financial year		
Dividend on ordinary shares:		
Final dividend for 2016: HK2.36 cents (2015: HK2.36 cents) per share	**16,968**	16,968
Proposed but not recognised as a liability as at 31 December		
Dividend on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
Final dividend for 2017: HK2.36 cents (2016: HK2.36 cents) per share	**16,968**	16,968

11. 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 718,993,000 (2016: 718,993,000) in issue during the period.

The calculation of diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average for the year ended 31 December 2017 number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year ended 31 December 2017, 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 year ended 31 December 2017 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

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

	2017 *HK$'000*	2016 *HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**249,316**	234,460
	No. of shares '000	No. of shares '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**718,993**	718,993
	718,993	718,993

12. INVESTMENTS IN JOINT VENTURES

	2017 *HK$'000*	2016 *HK$'000*
Investment, at cost	**9,277**	9,277
Share of post-acquisition reserves	**3,411**	4,043
Share of net assets	**12,688**	13,320

Particulars of the joint ventures are as follows:

Name of entity	Legal form and place of incorporation/establishment/ operations	Percentage of ownership interest and voting power held 2017 %	2016 %	Principal activities
KIWA-CW Machine Manufacturing Pte. Ltd.	Limited private company Singapore	**50**	50	Investment holding
紀和機械製造（上海）有限公司 KIWA-CW Machine Manufacturing (Shanghai) Co., Ltd. (1)	Foreign enterprise The PRC	**50**	50	Manufacturing and trading of CNC machining centres
Dominic Schindler Creations (Singapore) Pte. Ltd. (2)	Limited private company Singapore	**50.1**	50.1	Industrial design activities and design solution consultancy work
上海斯程科技有限公司(3) Shanghai Sicheng Technology Co., Ltd. (1)	Limited liability company The PRC	**50**	50	Import and export activities, robotics, CNC machineries, technical consultancy services, technology transfers, jigs and fixtures
FFG-CW Southeast Asia Pte.Ltd. (4)	Limited private company Singapore	**50**	–	Engineering design and consultancy activities

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

(2) Incorporated on 28 June 2016.

(3) Incorporated on 28 December 2016.

(4) Incorporated on 6 September 2017.

The summarised financial information of the joint ventures of KIWA-CW Machine Manufacturing Pte. Ltd. and KIWA-CW Machine Manufacturing (Shanghai) Co., Ltd., not adjusted for the proportion of ownership interest held by the Group, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Cash and cash equivalents	**3,511**	1,328
Other current assets	**48,157**	25,238
Current assets	**51,668**	26,566
Non-current assets	**9,287**	10,047
Current liabilities	**31,467**	11,717
Non-current liabilities	**2,404**	–
Net assets	**27,084**	24,896
Reconciliation to the Group's interest in the joint ventures:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net asset of the joint ventures	**13,542**	12,448
Translation differences	**(1,199)**	(223)
Carrying amount of the investment	**12,343**	12,225
Revenue	**69,264**	47,081
Interest income	**15**	14
Depreciation and amortisation	**(1,451)**	(1,793)
Income tax expense	**–**	(67)
Profit/(loss) and total comprehensive income for the year	**118**	(55)

Aggregate information about the Group's investments in joint ventures that are not individually material are as follows:

	2017	2016
	HK$'000	*HK$'000*
Carrying amount of the investment	**345**	1,095
Loss and total comprehensive loss for the year	**(750)**	–

13. TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**1,708,815**	1,137,316
Less: Allowance for doubtful debt	**(291)**	(236)
	1,708,524	1,137,080
Accrued revenue	**678,286**	938,179
	2,386,810	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 days to 360 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly and actively monitored by senior management to minimise credit risk. Trade receivables are non-interest bearing.

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

Included in the trade receivables of HK$410,640,000 (2016: HK$313,805,000) have been pledged to secure the Group's trade financing and bills payable as set out in Note 17.

The aging analysis of the trade receivables as at the end of the financial year, based on invoice date (net of allowances for doubtful debts and excluding accrued revenue) is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 to 90 days	**593,628**	546,322
91 to 180 days	**574,043**	336,899
181 to 360 days	**535,731**	253,311
Over 360 days	**5,122**	548
	1,708,524	1,137,080

14. CASH AND CASH EQUIVALENTS

	2017	2016
	HK$'000	*HK$'000*
Cash on hand	**38**	49
Bank balances	**76,861**	193,281
Pledged fixed deposits	**532**	460
Cash and cash equivalents per consolidated statement of financial position	**77,431**	193,790

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

15. LOANS AND BORROWINGS

	2017	2016
	HK$'000	*HK$'000*
Bank overdrafts repayable on demand	**996**	911
Interest-bearing loan	**200,000**	1,489
	200,996	2,400
Carrying amount repayable:		
On demand or within one year	**200,996**	2,400

The bank overdrafts bore interest at the higher of (i) the bank's prime lending rate less 2.00% and (ii) bank's cost of fund during the years ended 31 December 2016 and 2017.

The interest-bearing bank loan bore interest at 3.06% to 3.32% per annum at 31 December 2017 (2016: 4%). This loan is secured by corporate guarantee given by the Company.

16. TRADE PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**180,723**	94,235
Accrued payables	**11,785**	27,818
	192,508	122,053

The aging analysis of the trade payables as at the end of the financial year, based on invoice date (excluding accrued payable) is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 to 90 days	**113,787**	56,453
91 to 180 days	**30,727**	9,034
181 to 360 days	**10,147**	15,334
Over 360 days	**26,062**	13,414
	180,723	94,235

17. TRADE FINANCING AND BILLS PAYABLE

	2017	2016
	HK$'000	*HK$'000*
Trade financing and bills payable	**947,481**	774,814

Trade financing and bills payable to the bank generally would mature within 180 days for the years ended 31 December 2017 and 2016. The interest rates range from 1.27% to 4.44% (2016: 2.70% to 3.57%) per annum. Certain trade financing and bills payable were secured over trade receivables amounting to approximately of HK$410,640,000 (2016: HK$313,805,000) as set out in Note 13.

18. NOTES ISSUED

Notes issued relate to fixed rate notes amounting to S$75,000,000 (approximately HK$408,497,000) issued by CW Advanced Technologies Pte. Ltd. ("**Issuer**") on 25 June 2015 (the "**Notes**") under the Multicurrency Debt Issuance Programme (the "**Programme**"). These Notes are quoted on the Singapore Exchange and bear fixed interest rate at 7% per annum (effective interest rate of 7.2% per annum), secured through corporate guarantee by CW Group Holdings Limited, with a maturity date on 25 June 2018. The net proceeds of approximately S$73,200,000 (approximately HK$396,962,000) arising from the issue of the Notes under the Programme will be used for general corporate purposes, including refinancing of existing borrowings, general working capital requirements, investments (including mergers and acquisitions) and/or capital expenditure requirements of the Group.

In April 2017, 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.

In October 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$2,500,000 in aggregate principal amount of the Notes.

As at 31 December 2017, subsequent to the Repurchase payouts, the aggregate principal amount of the Notes outstanding is S$55,250,000 (approximately equivalent to HK$321,599,000).

The Group has covenanted amongst others, with the Trustee in the Trust Deed that so long as any of the Notes or Coupons remain 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.

Test period means each period of 12 months ending on the last day of each half-year of the financial years of the Group.

19. SHARE CAPITAL

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

For the year ended 31 December 2017, revenue of the Group reached approximately HK$2,337.3 million, representing a decrease of approximately HK$124.7 million or 5.1% from approximately HK$2,462.0 million for the preceding financial year. Set out below is a breakdown of our revenue by our five business segments:

	For the year ended 31 December				
	2017	**Percentage of total revenue**	2016	Percentage of total revenue	Increase/ (Decrease)
	HK$'000	***%***	*HK$'000*	*%*	
Precision engineering solutions projects	**2,254,927**	**96.5**	2,261,166	91.8	(0.3%)
Sales of CNC machining centres	**8,016**	**0.3**	22,058	0.9	(63.7%)
Sales of components and parts	**39,023**	**1.7**	9,816	0.4	297.5%
After-sales technical support services	**32,897**	**1.4**	116,307	4.7	(71.7%)
Renewable energy solutions	**2,454**	**0.1**	52,670	2.2	(95.3%)
Total	**2,337,317**	**100.0**	2,462,017	100.0	(5.1%)

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 line set-up and commissioning of production lines. For the years ended 31 December 2017 and 2016, approximately 96.5% and 91.8% of our total revenue was derived from precision engineering solutions projects respectively. Revenue from this business segment decreased slightly by approximately 0.3% from approximately HK$2,261.2 million for the year ended 31 December 2016, to approximately HK$2,254.9 million for the year ended 31 December 2017. Despite a buoyant market for machine tools during 2017, the demand outran the available market supply. The shortfall of supply resulted in longer delivery lead time and hence delayed completion of our projects, which consequently caused a slight delay in our recognition of revenue.

Revenue from sales of CNC machining centres primarily relates to sales of precision engineering manufacturing equipment operable under CNC automation. For the years ended 31 December 2017 and 2016, approximately 0.3% and 0.9% of our total revenue was derived from sales of CNC machining centres respectively. Revenue from sales of CNC machining centres decreased by 63.7% from approximately HK$22.1 million for the year ended 31 December 2016, to approximately HK$8.0 million for the year ended 31 December 2017. As explained above, due to a shortage in equipment supply, the Group had focused its efforts on the precision engineering solutions projects segment, hence resulting in the decrease in sales in this segment during 2017.

Revenue from sales of components and parts relates primarily to sales of self-manufactured and trading of components and parts. Revenue from this business segment contributed approximately 1.7 % and 0.4% to our total revenue for the years ended 31 December 2017 and 2016 respectively. Revenue from the sales of components and parts increased by 297.5% from approximately HK$9.8 million for the year ended 31 December 2016, to approximately HK$39.0 million for the current year. The increase was largely due to the securing of a one-off project in Indonesia with a value of approximately HK$33.3 million.

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 was about 1.4% for the year ended 31 December 2017 compared to 4.7% in the preceding year. Revenue from after-sales technical support services decreased by 71.7% from approximately HK$116.3 million in the previous year, to approximately HK$32.9 million for the year ended 31 December 2017. This decrease in revenue from after-sales technical support was largely due to the securing of a one-off contract to provide after-sales technical support to some existing machines and equipment of our customers in Thailand, Singapore and Indonesia, during the year ended 31 December 2016.

Revenue from the renewable energy solutions relates primarily to the manufacturing and trading of solar photovoltaic panels and modules. Revenue contribution from this business segment decreased from 2.2% for the year ended 31 December 2016 to 0.1% for the current year. Revenue from renewable energy solutions decreased by 95.3% from approximately HK$52.7 million for the year ended 31 December 2016, to approximately HK$2.5 million for the year ended 31 December 2017. In 2017, the Group decided to reduce our focus on this business segment due to an overall slowdown within this industry. Hence, this is an area under continued operation review by the Group.

Cost of Sales

The costs of sales of our Group accounted for approximately 83.3% and 81.0% of our revenue for the years ended 31 December 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 year ended 31 December				
	2017	**Percentage of total cost of sales**	2016	Percentage of total cost of sales	Increase/ (Decrease)
	HK$'000	***%***	*HK$'000*	*%*	
Cost of goods sold	**1,942,574**	**99.8**	1,985,343	99.5	(2.2%)
Direct labour costs	**3,399**	**0.1**	5,742	0.3	(40.8%)
Direct depreciation expenses	**1,018**	**0.1**	3,260	0.2	(68.8%)
Total	**1,946,991**	**100.0**	1,994,345	100.0	(2.4%)

For both the years ended 31 December 2017 and 2016, cost of goods sold as a percentage of our Group's total cost of sales remained relatively constant at 99.8% and 99.5% respectively. Cost of goods sold decreased slightly by 2.2% from approximately HK$1,985.3 million for the year ended 31 December 2016 to approximately HK$1,942.6 million for the year ended 31 December 2017. Our Group's cost of goods sold comprise 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 "**US**"). As a result of the shortage of supply which led to the reduced in revenue from the precision engineering solutions projects and the sales of CNC machining centres segment, correspondingly our cost of goods sold for the current year has also decreased by 2.2%.

Direct labour costs comprise salaries and related costs for engineers as well as production and assembly staff. For the years ended 31 December 2017 and 2016, direct labour costs as a percentage of our Group's total cost of sales was approximately 0.1% and 0.3% respectively. Direct labour costs decreased by 40.8% from approximately HK$5.7 million for the year ended 31 December 2016 to approximately HK$3.4 million for the current year. The decrease in absolute amount was primarily due to reduction in labour for the manufacturing and assembling of solar photovoltaic modules and panels.

Direct depreciation expenses for the years ended 31 December 2017 and 2016 remained relatively constant at 0.1% and 0.2% respectively. Direct depreciation expenses decreased by 68.8% from approximately HK$3.3 million for the year ended 31 December 2016 to approximately HK$1.0 million for the year ended 31 December 2017. Direct depreciation expenses comprise depreciation charges on production related equipment.

Gross Profit and Gross Profit Margin

Our gross profit for the year ended 31 December 2017 was approximately HK$390.3 million, representing a decrease of 16.5% from the year ended 31 December 2016. This is largely attributable to the decreased contributions from the after-sales technical support services which generated higher gross profit margin.

As a result of the decrease in revenue from after-sales technical support services, our gross profit margin for the year ended 31 December 2017 decreased to approximately 16.7%, from approximately 19.0% for the year ended 31 December 2016.

Other Income and Gains

The other income and gains of our Group amounted to approximately HK$47.3 million and HK$10.4 million for the years ended 31 December 2017 and 2016 respectively. The increase of approximately 354.8% was largely due to the gain on a partial redemption of Notes of approximately HK$8.5 million and the net foreign exchange gain of approximately HK$27.4 million for the year ended 31 December 2017.

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 our total revenue, remained relatively constant, being 0.5% and 0.6% of our total revenue for the years ended 31 December 2017 and 2016 respectively.

Selling and distribution expenses in absolute terms, decreased from approximately HK$13.7 million for the year ended 31 December 2016 to HK$12.2 million for the year ended 31 December 2017. The decrease in absolute amount was primarily due to reduction in labour for the renewable energy solutions segment during the year ended 31 December 2017.

Administrative Expenses

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

The administrative expenses of the Group decreased slightly from approximately HK$60.0 million for year ended 31 December 2016 to approximately HK$54.4 million for the year ended 31 December 2017. This decrease of approximately 9.4% was primarily attributable to the decrease in share option expenses and legal and professional fees. The share option expenses decreased from approximately HK$6.0 million for the year ended 31 December 2016, to approximately HK$0.8 million for the current year. The decrease in legal and professional fees, from approximately HK$13.4 million in the previous year, to approximately HK$10.9 million for the year ended 31 December 2017 was primarily due to pre-acquisition due diligence work undertaken in respect of several potential acquisition and merger targets during the year ended 31 December 2016.

Finance Costs

Our Group's finance costs comprise interest on bank loans, interest on the Notes issued and interest on finance leases. Our finance costs increased by 15.7%, or approximately HK$9.7 million, from about HK$61.7 million for the year ended 31 December 2016 to approximately HK$71.4 million for the year ended 31 December 2017.

The increase was largely attributable to the increase in interest expenses and drawdown handling fee from the bank loan of approximately HK$9.4 million for the year ended 31 December 2017. This was partly offset by the interest saving from the Notes issued of approximately HK$32.7 million for the year ended 31 December 2016 to approximately HK$28.7 million for the year ended 31 December 2017.

Other Operating Expenses

Our Group's other operating expenses consist of realised and unrealised foreign exchange losses as well as allowance for goodwill, plant and equipment impairment. Our group had gains on foreign exchange for the year ended 31 December 2017, which were recorded under other income and gains as compared to the net exchange losses of approximately HK$6.2 million for the year ended 31 December 2016. The Group also recorded allowances for impairment of goodwill and impairment of plant and equipment of approximately HK$5.2 million and HK$29.6 million, respectively, for the year ended 31 December 2016. Whilst there was no such allowances made for the current year, there was a write-back of impairment on plant and equipment of approximately HK$940,000, which were recorded under other income for the year ended 31 December 2017.

Income Tax Expense

Our income tax expense amounted to approximately HK$49.7 million and HK$67.3 million for the years ended 31 December 2017 and 2016 respectively. Additional provision for taxation was made for both the financial years ended 31 December 2017 and 2016, on a more prudent basis for financial reporting purposes. The actual income tax payable on the assessable or taxable profits arising from the subsidiaries is generally determined and agreed with the relevant tax authorities, which might be different from the income tax provision made in these financial statements. In line with our reduction of gross profits, our taxable income, excluding capital gains and unrealised exchange gains is lower for the year ended 31 December 2017. Accordingly, our effective tax rate has dropped from 22.3% for the year ended 31 December 2016 to 16.6% for the current year.

Profit for the Year and Net Profit Margin

The Group recorded a profit of approximately HK$249.3 million for the year ended 31 December 2017, which represents an increase of approximately HK$14.8 million or 6.3% from approximately HK$234.5 million for the preceding year. As mentioned above, the increase of profit for the year approximately was largely due to gain on repurchased Notes for the year ended 31 December 2017 of approximately HK$8.5 million and net foreign exchange gain of approximately HK$27.4 million. The net profit margin for the year ended 31 December 2017 improved by 1.2% to 10.7%, from approximately 9.5% for the year ended 31 December 2016.

Business Review

2017 was touted as a recovery year of the Group, and this was reflected in the market condition whereby there was considerably more demands for CNC machine tools during the year. Despite the uptrend in demands, there was insufficient supply to meet the demands, resulting in longer delivery lead time. Due to this shortage, the Group's revenue declined slightly by approximately 5.1% (approximately HK$2,337.3 million and HK$2,462.0 million for the years ended 31 December 2017 and 2016 respectively). Despite the slight reduction in revenue, profits for the year ended 31 December 2017 increased by 6.3% from the preceding year to approximately HK$249.3 million. The increase in profits was largely due to the foreign exchange gains and a gain recorded on partial redemption of Notes during the year (approximately HK$27.4 million and HK$8.5 million respectively), and also due partly to the absence of any allowances made impairment in the current year, while allowances of approximately HK$5.2 million and HK$29.6 million were made for the year ended 31 December 2016 for the impairment of goodwill and impairment of plant and equipment respectively.

The precision engineering solutions projects continue to be the heartbeat of the Group, contributing to 96.5% and 91.8% of our total revenue for the years ended 31 December 2017 and 2016 respectively. Revenue from the precision engineering solutions projects remained relatively constant, dropping slightly by 0.3% from approximately HK$2,261.2 million for the year ended 31 December 2016, to approximately HK$2,254.9 million for the current year.

During the year ended 31 December 2017, we continued to maintain our key markets including Singapore, China, Indonesia, Malaysia, and Thailand. In view of the global uptrend in CNC machine tools, our management remains steadfastly confident of the operating environment of our key markets and continues 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 penetration into the European markets is expected to contribute positively in the coming years.

Strategy and Outlook

Global economic sentiment is more buoyant this year. The broad recovery in investment, manufacturing and trade is good news for Asia's trade-dependent economies which have profited from the strengthening global demand.

The European Union have pledged themselves to the Paris agreement to fight against global warming and their policy makers are churning out regulations and hefty taxes to make gasoline and diesel vehicles undesirable to consumers, which will eventually drive the gasoline and diesel automotive vehicles out of the European car market as early as 2025. Automotive manufacturers who saw the dwindling sales and inevitable situation, have set their eyes on the Asian markets thus encouraging them to move their manufacturing bases closer to Asia.

As China evolves itself into one of the world largest e-commerce market and with the growing affluence of Chinese, the demands for air travel and delivery of commodities globally have translated into demands for cargo and passenger aircrafts. International players such as Boeing and Airbus are confident that the China market size is able to spur growth and accommodate both domestic and international aircraft manufacturers. Based on China's 13th Five Year Plan and governmental support, the China's aviation industry has created commercial opportunities for many companies in the aviation market. In an attempt to break market domination by Airbus and Boeing, China is developing its own domestic manufacturing and the maintenances, repairs and overhaul capabilities of its own homegrown brand of aircrafts and aviation talents.

Strategically headquartered in Singapore, with subsidiaries located in China and Europe, the Group have recently announced a substantial acquisition exercise into Zuse Hüller-Hille, a machine tools engineering solution provider based in Germany. The proposed acquisition upon the approval of the Company's shareholders in an extraordinary general meeting to be called and convened in due course will enable the Group to improve its product, variety and develop new products specifically tailored towards the Asian automotive and aviation industry's needs.

Upon completion of the acquisition, the Group believes that it will be well-positioned to capitalise on Zuse Hüller-Hille existing capabilities in machine tools manufacturing to explore and develop new business opportunities in the areas of turnkey projects in Europe and Asia.

The Group will also continue to leverage on our technological know-how and knowledge of our customers' needs to procure high-end machining technology from Europe for onward sale to our 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.

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, 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 maximizing our shareholders' returns.

Liquidity, Financial and Capital Resources

Cash Position

Our cash and bank balances amounted to approximately HK$77.4 million and HK$193.8 million as at 31 December 2017 and 2016 respectively. The functional currencies of the Group include the US dollar, Chinese Renminbi and Singapore dollar. As at 31 December 2017, 96.7% of the Group's cash, bank deposits and pledged fixed deposits were denominated in the respective functional currencies (31 December 2016: 93.7%) and the remaining 3.3% (31 December 2016: 6.3%) in other currencies (mainly Euro, Hong Kong dollar, Japanese yen and the US dollar).

The Group's primary sources of funds during the year 2017 included cash generated from operating activities and financing activities. Our Group had net cash inflow from operating activities of approximately HK$53.2 million, for the year ended 31 December 2017 largely due to the Group's continuous effort to focus on the growth of our revenue, mainly in the precision engineering solutions projects segment. We also had net cash outflow of approximately HK$5.4 million from financing activities largely arising from the proceeds from bank loans which was partly offset by a partial redemption of the Notes issued, payment of interest expenses and finance charges during the year ended 31 December 2017.

Our bank facilities as at 31 December 2017 was approximately HK$1,047.7 million (2016: HK$1,021.6 million), of which approximately HK$947.5 million of trade facilities was utilised (2016: HK$774.8 million). In addition, we had loans and bank overdrafts drawn down of approximately HK$201.0 million as at 31 December 2017 (2016: HK$2.4 million), with interest rates ranging from 3.06% to 3.32% per annum (2016: 4.3% per annum).

Capital Management

The capital structure of the Group consists of, equity attributable to owners of the Company (comprising issued share capital and reserves), debts (including loans and borrowings, Notes issued, finance lease obligations as well as trade financing and bills payable) less cash and cash equivalents.

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.

Capital Expenditure

For the years ended 31 December 2017 and 2016, the Group acquired plant and equipment at a cost of approximately HK$0.4 million and HK$4.9 million respectively.

Employees and Remuneration Policy

As at 31 December 2017, the Group had a total number of 121 full-time employees, including 69 full-time employees in our joint ventures (2016: 121 and 70 respectively). 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 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 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. As at the date of this announcement, other than the above mentioned, none of the other share options granted to other eligible persons have been exercised.

Charge on Assets

As at 31 December 2017, the Group had pledged certain assets with a net book value of approximately HK$1.0 million under hire purchase financing (2016: HK$3.0 million).

Foreign Exchange Risk Management

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

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

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

Capital Commitments

The Group did not have any material capital commitments as at 31 December 2017.

Contingent Liabilities

There were no material contingent liabilities as at 31 December 2017.

Gearing Ratio

Gearing ratio is measured by the total bank loans, overdraft, the Notes issued, finance leases, and trade financing and bills payables divided by the total assets of the Group. As at 31 December 2017, the gearing ratio was 37.9% whereas the gearing ratio as at 31 December 2016 was 37.0%.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has fully complied with the code provisions set out in the Corporate Governance Code for the year ended 31 December 2017, as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), except for the following:

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

Our Company currently does not have a separate chairman and chief executive and Mr. Wong Koon Lup, a founder of the Group, currently holds both positions. The Board believes that vesting the roles of chairman and chief executive in the same individual provides the 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

The 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 during the year ended 31 December 2017. There were no incidents of non-compliance during this year.

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 year ended 31 December 2017.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the annual results for the year ended 31 December 2017 before recommending it to the Board for approval.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Federation of Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 26 April 2017, 4 July 2017 and 11 October 2017, the Company did a partial redemption of our Notes issued of S$15,000,000 (approximately HK$87,873,000), S$2,250,000 (approximately HK$13,181,000) and S$2,500,000 (approximately HK$14,646,000) respectively. As at the date of this announcement, the aggregate principal amount of the Notes outstanding is S$55,250,000 (approximately HK$321,599,000).

FINAL DIVIDEND

The Board recommends a final dividend of HK2.36 cents per share for the year ended 31 December 2017 (2016: HK2.36 cents per share) subject to the approval of the shareholders at the forthcoming annual general meeting. Expected payout date of the proposed final dividend if approved at the Annual General Meeting, is on or around 27 July 2018. Our Company will make further announcement on the date of the annual general meeting, closure of register of members and the final dividend payment as soon as practicable.

SUBSEQUENT EVENT

There were no significant subsequent events which have occurred since 31 December 2017 up to the date of this announcement.

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 year ended 31 December 2017.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY

This annual results announcement containing all the information required by paragraphs 45(1) to 45(9) of Appendix 16 to the Listing Rules has been published on the website of the Company at www.cwgroup-int.com and on the website of the Stock Exchange at www.hkexnews.hk.

The annual report of the Company for the year ended 31 December 2017 will be dispatched to the shareholders of the Company and will be published on the aforesaid websites in due course.

By Order of the Board
CW GROUP HOLDINGS LIMITED
Wong Koon Lup
Chairman and Chief Executive

Hong Kong, 27 March 2018

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