CDW Holding Limited

RESILIENCE
DIVERSIFICATION

ANNUAL REPORT 2016

A RELIABLE OUTSOURCING PARTNER WITH JAPANESE PRECISION

日本の技術力と信頼性を世界へ

With an eagle-eyed focus on producing higher margin, popular consumer electronics, while expanding prudently and managing costs, we are on the right course for long-term sustainable growth. That's Sound Strategy.

CONTENTS

Corporate Profile

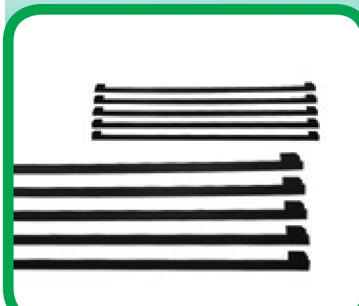
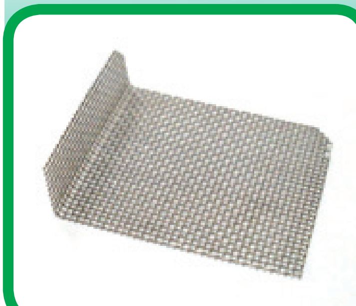
CDW Holding Limited is a Japanese-managed precision components specialist serving the global market focusing on the production and supply of niche precision components for mobile communication equipment, gamebox entertainment equipment, consumer and information technology equipment, office equipment and electrical appliances.



LCD Backlight Units

LCD Parts and Accessories

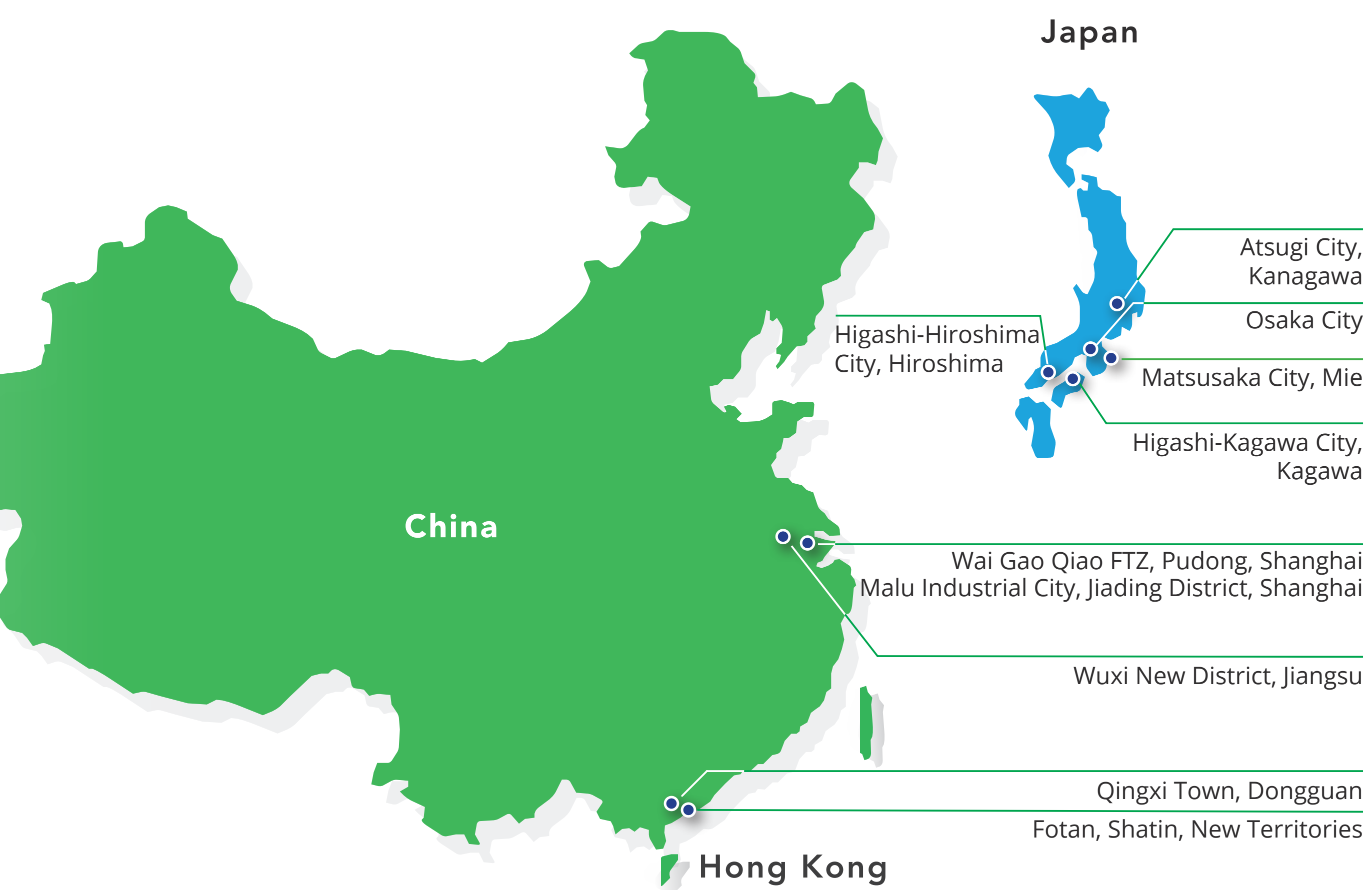
Office Automation

Applications

Our Products

Production Centres and Offices




Minami Tec (Wuxi) Co., Limited


Tomoike Electronics (Shanghai) Co., Limited

Crystal Display Components (Shanghai) Co., Limited


Tomoike Precision Machinery (Shanghai) Co., Limited


Tomoike Industrial Co., Limited


Wah Hang Precision Machinery (Dongguan) Limited


Dongguan Dali S.M.T. Assembly Limited


Tomoike Precision Machinery (Dongguan) Co., Limited

Corporate Milestones

1991

Our founder, Mr Yoshimi, set up TM Hong Kong as a private trading company in Hong Kong engaging in the trading of precision accessories for electrical and electronic appliances.

1993

The Group identified the trend of large Japanese corporations shifting their production facilities to China and started supplying them with cost efficient precision accessories sourced from manufacturers in Hong Kong and China.

1996

The Group established TM Shanghai in Jiading, Shanghai, China to manufacture precision accessories for customers involved in the production of office equipment.

2001

CD Shanghai commenced production of LCD Backlight Units for colour mobile phones.

2002

The Group established Crystal Display Components (Suzhou) Co., Limited ("CD Suzhou") for the manufacture of metal and plastic frames and began to produce precision metal and plastic components for notebook monitors.

2003

The Group established TM Pudong to perform the processing functions of precision components for our LCD Parts and Accessories business.

2005

Shares of the Company were listed on the main board of the Singapore Stock Exchange in January.
TM Dongguan was established and commenced production of LCD Backlight Units for colour mobile phones and entertainment equipment in December.

2006

The Group acquired the controlling stake in TM Japan in July. TM Japan joined the Group to extend the Group's sales and marketing network in Japan, supplying precision components for LCD Backlight Units and related products and supplying and manufacturing precision accessories for office equipment and electrical and electronic appliances.

Corporate Milestones

2016

BJ Cooperation was incorporated in Bangladesh in March to look for business opportunities.

The Group set up TWB in Japan in April to expand food and beverage business.

The Group acquired intellectual property rights in August to explore and develop a new biotech business.

2015

The Group incorporated Muguruma in Japan to enter food and beverage business.

The Group acquired 25% equity interest in Suzhou Pengfu to secure a continuous supply of light guide panels which are a key component of LCD Backlight Units.

2014

The Group increased equity interest from 86% to 100% in SMT Hong Kong. SMT Hong Kong became a wholly-owned subsidiary of TM Hong Kong.

Guru Guru was established to perform general trading in Hong Kong.

2013

The Group acquired 100% equity interest in MT Wuxi.

CD Suzhou terminated business operations and applied for voluntary liquidation.

2012

Mr Urano succeeded as Chairman and CEO from our founder, Mr Yoshimi, and formed new board.

Disposal by CD Suzhou of its factory premises approved at SGM by shareholders in October.

2011

SMT Dongguan and GCY Shanghai were established in order to secure and enhance the business of the Group.

The Group increased equity interest from 72% to 86% in SMT Hong Kong.

2010

The Group acquired 72% equity interest in SMT Hong Kong, a company specialising in the provision of surface mounting technique services in electronics production assembly.

2008

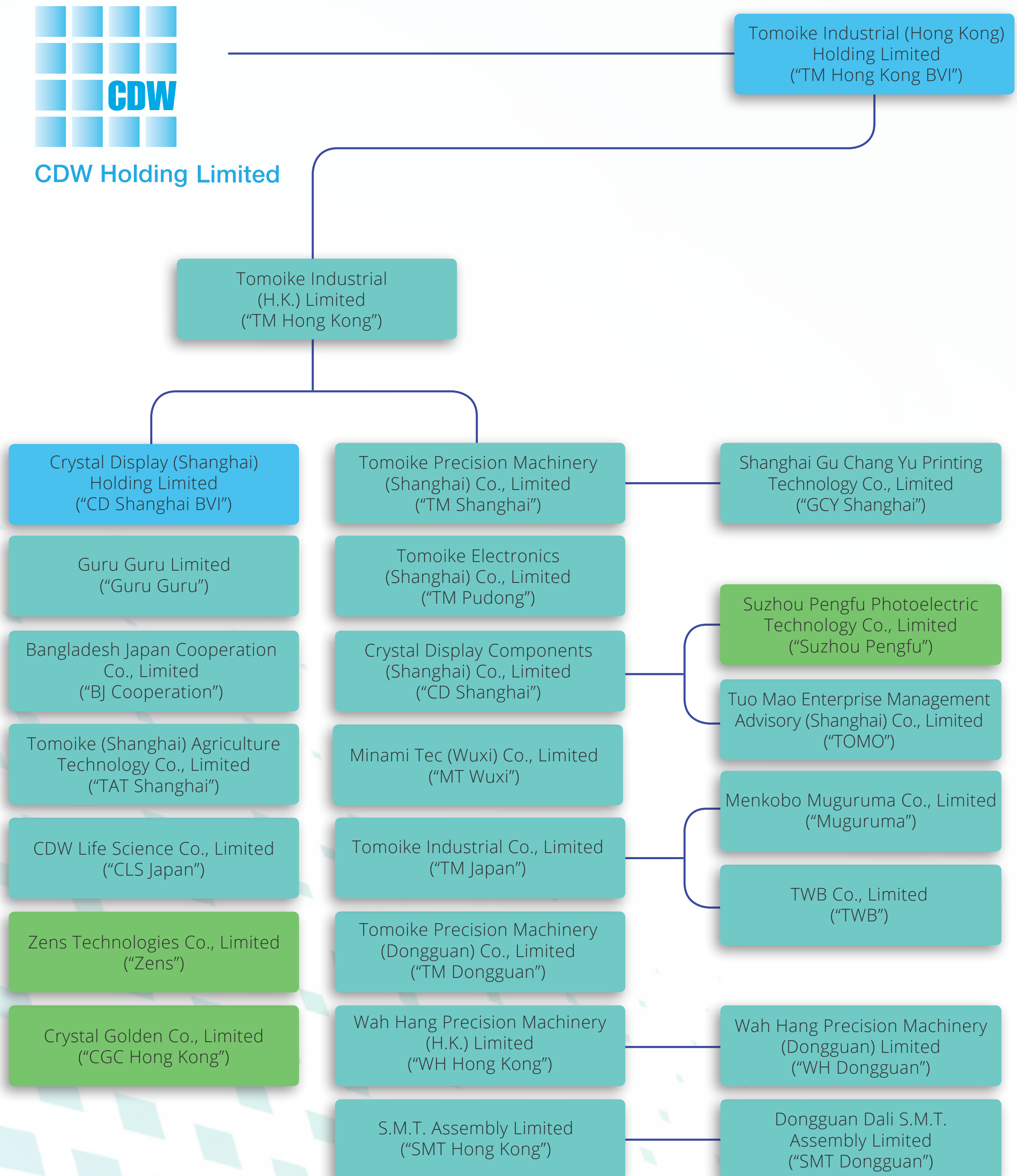
The Group expanded capacity for Office Automation segment and WH Dongguan started production in September. This Dongguan factory aims to serve customers in Southern China.

2007

CD Suzhou completed the relocation to new factory for further expansion of business in July.

The Group completed the acquisition of TM Japan by issuing 18,405,221 new shares as consideration in September. As a result of the completion, TM Japan became a wholly-owned subsidiary of the Group.

Corporate Structure



Operating Subsidiaries

Investment Holding

Associated Company

Letter to Shareholders

" The Group continues to pursue greater operational efficiency to improve cost competitiveness. Building upon an initiative started a year ago, we are restructuring operations, consolidating similar processes and deploying more efficient equipment and methods to mitigate rising operating costs."

URANO Koichi

Dear Shareholders,

On behalf of the Board and the management, I am pleased to share our results for the financial year ended 31 December 2016. It was another challenging year for CDW Holding Limited ("CDW" or the "Group") with a sluggish global economy coupled with increasing price competition faced by our key customer that took a greater toll on demand for our products. Despite the challenging climate, we pressed on, refining our workflow and made inroads in diversifying our income streams.

The industry we operate in continues to be highly competitive, prone to rapid changes in technology, and subject to short product life cycles. A handful of mega-sized players remain dominant participants and our results are closely tied to the performance of our key customer which focuses on the high-end smartphone market. The situation is exacerbated by an ongoing loss of market share in smartphones by our key customer which has negatively impacted the volume of orders with minimal sign of recovery in the near future.

Sales from the LCD Backlight Units segment fell by 26.1% to US$59.1 million as compared to the US$80 million logged in FY2015. Our key customer had significantly lowered orders in light of losing market share due to the severe price competition of the smartphone market in China that in turn affected our total volume manufactured and delivered. Nonetheless, we were able to grow our operating profit to US$5.8 million and maintained a stable operating margin of 9.8% which is slightly higher than 9.3% in FY2015.

The LCD Parts and Accessories segment continues to struggle with lukewarm demand from key markets – Japan and China. Sales for the division was US$22.1 million which is 4.7% higher than US$21.1 million recorded in FY2015.

In contrast to the aforementioned segment, the Office Automation segment saw higher demand with sales growing by 27.1% to US$21.1 million for the year under review. The increase was driven by

Letter to Shareholders

orders for our new models as well as new customers in Japan which resulted in segmental revenue being US$4.5 million higher than the US$16.6 million achieved in FY2015.

Putting together the segmental results above, the Group's total revenue for FY2016 amounted to US$103.2 million. Total sales for the year was 12.6% lower than the US$118.1 million recorded in FY2015 primarily due to the aforementioned loss of market share by our key customer in the smartphone market, which in turn substantially reduced the orders that our key customer placed with us. Our initiatives to ramp up productivity helped lessen the impact, keeping our gross profit margin stable at 23.9% and culminating in a net profit after tax of US$0.4 million.

We are thankful for the ongoing support and faith of our shareholders. We are proposing a final dividend of 0.5 US cents per ordinary share subject to shareholder approval at the upcoming Annual General Meeting. If approved, the total dividend for FY2016 will be 0.7 US cents as it includes the interim dividend of 0.2 US cents per ordinary share.

OUTLOOK AND STRATEGY

The upcoming financial year is expected to offer little respite with the abovementioned challenges continuing to persist. Orders of backlight units for smartphones is still on the decline and various unprecedented globe-spanning events such as Brexit and the U.S.'s more inward-looking stance are still unfolding with the eventual outcome and impact unclear.

Our LCD Backlight Units segment faces cloudy prospects due to weaker demand for LCD backlight units in line with the global slowdown in sales for smartphones. The effects of the slowdown are far reaching and our associated company was no exception. We provided an impairment loss of US$0.4 million in the investment in an associate with reference to the value in use calculation based on discounted cash flow method. However, we anticipate the segment's performance to be bolstered by relatively stable demand for backlight units for gamesets and backlight units for in-vehicle displays which are used in automobile display devices. We see potential in our new generation light guide with features of flexibility and ultra-thin thickness suitable for use in small to medium-sized LCD panels of smartphones, tablets and notebook computers. Nonetheless, we are moderating our expectations due to the strong competition afflicting our key and potential customers. We will carefully monitor the situation for suitable opportunities to promote our new product.

Our LCD Parts and Accessories segment is also expected to face a challenging FY2017 and we are exploring different means to procure alternative materials at lower cost. Our Office Automation segment shows more promise with a recovery of orders for new products and for parts used in ultra-thin notebook computers. The Group anticipates that the performance of both segments will be better alongside improved market conditions and we will continue exploring the means to expand the product portfolio of both segments.

The Group continues to pursue greater operational efficiency to improve cost competitiveness. Building upon an initiative started a year ago, we are restructuring operations, consolidating similar processes and deploying more efficient equipment and methods to mitigate rising operating costs, particularly in China. We consolidated our operations at the Dongguan plant to the Shanghai plant. The idle capacity at the former is then utilised for our new venture into the OEM business for mobile payment devices, thus generating contribution margin to enhance our profitability.

A NEW BUSINESS – LIFE SCIENCES

We have taken the first steps in establishing a new business in the life sciences industry. We acquired eight Intellectual Property Rights from a Japanese research and development corporation related to the functional use and manufacture of organic compounds including Pterostilbene Glycoside products which are with antioxidant, anti-aging and hair growth benefits, making it applicable to the nutricosmetics and dietary supplement industries.

The new business will be parked under the CDW Life Science Co., Limited, which we had incorporated in Japan as announced on 27 January 2017. We plan to build a distribution network for our existing biotech products to enable the new business to begin generating returns. Concurrently, we will liaise with manufacturers such as for shampoo or cosmetics, to explore how our R&D team can help improve their products. We will also look into ramping up our biotech R&D capabilities by acquiring research houses with proven track records. The R&D team will focus on developing preventive healthcare products which can then be produced via outsourcing to other manufacturers. These investments are expected to require a gestation period and we do not foresee immediate returns at this early phase.

OTHER INVESTMENTS

Our investments in other businesses report varying degrees of progress. Notable ones include the food and beverage business – Menkobo Muguruma Co., Limited which has reported stable performance. We will be continuing to invest to grow the business within our budget limits but do not anticipate immediate returns in line with the steady growth plan that we have outlined for it.

As part of our strategy, we invested in a Japanese food restaurant in Shanghai in September 2016. This enables us to partake in the growing demand for foreign food in the PRC. Lastly, we are also investing in a new business related to electric boats developed by a Korean company which offers us the manufacturing and distribution rights of the products. Unfortunately, based on the information provided by the Korean company at the end of FY2016, we reassessed the value in use of this investment and considered the provision for impairment loss of US$0.1 million to be fair and necessary.

DIVERSIFICATION & RISK MANAGEMENT

We are seeking out strategic investments that aim to achieve a higher return on equity in the long term. These strategic investments will be carefully assessed in terms of risk and ideally create avenues for us to diversify as our precision components business continues to weather a fast-changing and competitive environment. Our strategy for investments is three-pronged. Firstly, we will continue to explore investments that can add value to our core business. Secondly, we will look at strategic investments in new businesses so as to ultimately diversify and develop a second growth engine for us. Lastly, we may also engage in financial investments, which are of a smaller quantum with the aim of delivering returns on a short term basis.

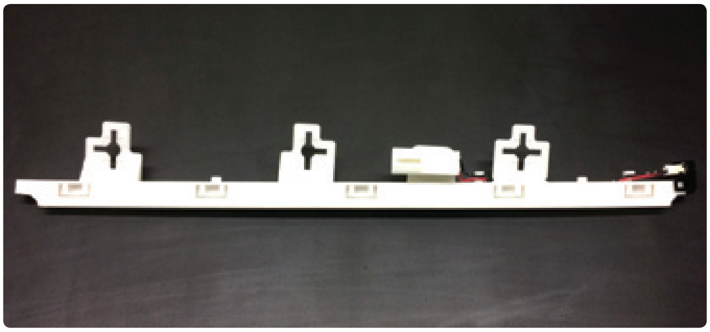
As we progress on various fronts, the Group continues to prioritise its risk management. Factors such as operating costs, production processes and inventory management are carefully monitored and fine-tuned where possible to improve our margins.

CONCLUSION

On behalf of the Board of Directors, we would like to thank the management team and staff for their contributions, dedication and hard work for the year under review. The Board would also like to thank Mr Kiyota Akihiro who stepped down as Executive Director and Chief Operating Officer, and welcome aboard Mr Yoshikawa Makoto who has taken over in his stead. Thanks are also in order for Mr Ochi Shinichi and Mr Ng Wai Kee for their past contributions as both of them stepped down from their positions as Executive Director and Independent Director respectively. Mr Ochi is still with the Group as a key officer to spearhead our start-ups in food and beverage business. Lastly we would like to thank our shareholders, business partners, and professionals in Japan, Hong Kong, Singapore and China for your continuous support. We look forward to continuing working closely with all parties for the year ahead in pursuit of our long-term goal unlock and deliver value to all our stakeholders.

Yours Sincerely,

Urano Koichi
On behalf of the Board of Directors of CDW Holding Limited



Financial and Operations Review

STATEMENT OF PROFIT OR LOSS

The Group faced yet another challenging period for the year ended 31 December 2016. The global price competition for smartphones continues to impact our performance. Our main customer continued to place fewer orders in response to losing market share in the segment thus lowering the Group's revenue by 12.6% to US$103.2 million for the year under review. This represents a US$14.9 million fall from the US$118.1 million reported for FY2015.

Despite the lower turnover, the Group's vigilant efforts in managing costs and other variables have softened the impact of shrinking demand and achieved a gross profit margin of 23.9%. In the challenging operating environment, our gross profit decreased by 7.5% to US$24.7 million for the year under review as compared to the US$26.7 million in FY2015.

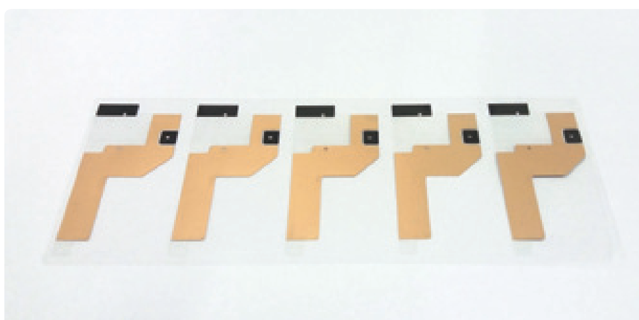
For the year under review, the Group's other operating income, which was mainly comprised of interest income, was 84.8% lower at US$1.0 million as compared to the US$6.6 million registered in FY2015. This was due to the absence of an exchange gain from the disposal of a subsidiary in FY2015 that contributed approximately US$4.9 million.

On the subject of operating expenses, distribution expenses were lower this year by US$0.5 million, amounting to a total of US$1.6 million as a result of a decrease in packing materials and freight costs for the year under review. This was in line with decrease in revenue. Meanwhile, a decrease in headcount and salary-related expenses resulted in some cost savings, offset by foreign exchange loss and loss on redemption of held-to-maturity investment, allowing administrative expenses to remain stable at US$20.3 million as administrative expenses amounted to US$20.8 million in FY2015. The loss arising from the redemption of the held-to-maturity investment amounting to US$0.2 million was offset by the reversal of the related deferred tax liabilities amounting to US$0.3 million. The primary purpose for having the held-to-maturity investment is to defer the income tax liability of the Group's subsidiary in Japan. Under the prevailing tax rule in Japan, the Group shared the operating losses of the investment as a tax deductible expense which will be reversed upon its maturity.

The Group continues to strictly uphold a low gearing policy despite the low interest rate environment and this has translated to a firm control over finance costs that are kept low at US$0.1 million.

The effects of the global economic slowdown are far reaching and our associated company was no exception. It incurred a loss in FY2016 of which the Group had to share 25% of the loss amounting to US$0.3 million. In addition an impairment loss of investment in associate amounting to US$0.4 million was provided with reference to the value in use calculation based on the discounted cash flow method. The Group also re-assessed the value in use of the investment in a Korean company which was classified under available-for-sale investments. Based on the information provided by the Korean company at the end of FY2016, the Group considered it fair to make an impairment of US$0.1 million against this investment.

Income tax expenses for FY2016 dipped slightly by US$0.5 million to US$2.6 million. The high effective tax rate was mainly due to the income tax of profit-making subsidiaries not being offset by the tax credit of loss-making subsidiaries. Furthermore, included in income tax expense was a reversal of deferred tax liabilities in relation to the redemption of the held-to-maturity investment amounting to US$0.3 million and the withholding tax for dividend paid amounting to US$0.2 million which was netted off against the deferred tax assets written off of US$0.3 million for the year.



Taking into account the factors above, profit before income tax fell by 70.0% to US$3.0 million as compared to the US$10.0 million reported for FY2015. Profit after income tax similarly fell, shrinking by 94.9% to US$0.4 million for the year under review from US$7.9 million for FY2015.

LCD Backlight Units

For the year under review, the LCD Backlight Units segment bore the brunt of the fewer orders with revenue contribution from the segment falling from US$80.0 million in FY2015 to US$59.1 million in FY2016. This 26.1% fall was slightly alleviated by a one-off replacement order for gamesets received in the third quarter of 2016. Due to fewer orders of backlight units for smartphones, the revenue contribution for this segment was mainly from the backlight units for gamesets and in-vehicle displays. Operating profit for the segment was US$5.8 million (2015: US$7.5 million) at a stable operating margin of 9.8% which was slightly higher than 9.3% in FY2015.

The total number of units sold for the sector amounted to 17.5 million units (2015: 21.6 million units). Approximately 3.0 million units were sold for handsets (2015: 7.8 million units) and another 14.5 million units were sold for gamesets and in-vehicle displays (2015: 13.8 million units). This is a 61.5% decrease and a 5.1% increase respectively.

Office Automation

The revenue contribution from this segment rose by 27.1% to US$21.1 million as compared to the US$16.6 million last year. The growth was mainly due to recovery from weak demand and more sales orders of new models as well as orders from new customers in Japan. Operating profit margin for the segment slightly improved from 0.6% in FY2015 to 1.9% in FY2016 and this yielded an operating profit of US$0.4 million in FY2016 as compared to US$0.1 million in FY2015.

LCD Parts and Accessories

The LCD Parts and Accessories segment saw a moderate increase in sales attributable to sales orders of new models which drove sales up by 4.7% to US$22.1 million from US$21.1 million in FY2015. Operating profit for the segment was US$0.7 million (2015: US$0.4 million) and operating profit margin was 3.2% (2015: 1.9%).

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016, the Group's total assets and liabilities stood at US$83.5 million and US$23.2 million respectively. This is in comparison with total assets and liabilities of FY2015 which were US$88.7 million and US$22.8 million respectively.

Total current assets decreased by US$4.0 million to US$72.6 million as compared to total current assets for FY2015 which was US$76.6 million. Cash and bank balances decreased by US$5.4 million due to the reasons explained in the paragraphs under Statement of Cash Flows. Even though accounts receivable increased by US$2.5 million from US$14.9 million to US$ 17.4 million, there was no material change in the credit terms offered to customers in general.

Other receivables and prepayment mainly represent utility deposits, prepaid expenses and value-added tax recoverable. It also included loan and receivables funding to a third party under a secured trade finance arrangement at an interest rate of 1% per month to generate additional interest income. Meanwhile, the held-for-trading investments represented listed equity investments in Hong Kong.

Total non-current assets of the Group stood at US$10.9 million for FY2016. Also included in property, plant and equipment was newly purchased equipment amounting to US$0.8 million, which was netted off against the depreciation charge of US$1.8 million. The increase in the available-for-sale investments was mainly related to an equity investment in a new business related to electric boats developed by a Korean company which offers the Group the manufacturing and distribution rights of its products. Prepayment for the acquisition of the intangible asset represents an advance payment for the application of research results related to biotech products and its related patents.

Total current liabilities as at 31 December 2016 was US$22.0 million, representing an increase of US$1.3 million, from US$20.7 million as at 31 December 2015.

The Group's trade payables decreased by US$0.9 million to US$11.5 million for FY2016 due to less sales in the fourth quarter. In comparison, trade payables for FY2015 were US$12.4 million. There was no material change in the credit terms offered

Financial and Operations Review

by the suppliers to the Group. Short-term financing bank borrowings increased by US$1.7 million to US$5.3 million as at 31 December 2016, from US$3.6 million as at 31 December 2015. Other payables and accruals, comprising accruals for expenses, wages payable and value-added tax payables, were kept at US$4.0 million.

The Group's income tax on profit for FY2016 was provided and adjusted under the tax rules of different jurisdictions. The income tax charge net of payment for the year under review had increased the income tax payable by US$0.9 million to US$1.0 million.

For the year under review, the Group's non-current liabilities decreased by US$0.8 million from US$2.1 million for FY2015 to US$1.3 million for FY2016. The drop was mainly due to decrease in long-term bank borrowings, reversal of deferred tax liabilities arising from the redemption of held-to-maturity investment and of the withholding tax for dividends paid.

STATEMENT OF CASH FLOWS

The Group's operating activities generated net cash amounting to US$0.6 million for the year under review. The reduction in net cash from operating activities was attributed to the decrease in profit before income tax and the payment of income tax over FY2016.

As for investing activities, there was a net cash outflow of US$1.2 million for the year under review. Cash inflows from investing activities include the receipt from the redemption of held-to-maturity investment of US$0.8 million and interest income of US$0.8 million. During the year under review, a total of US$0.8 million was invested in property, plant and equipment which was lower than the US$1.8 million spent in FY2015. Moreover, the Group acquired a minority equity interest in an unquoted entity in a Korean Company amounting to US$0.9 million and set aside a prepaid amount of US$1.0 million for the acquisition of intangible assets in relation to biotech business and its related patents.

For financing activities, there was a net cash outflow of US$3.7 million for the year under review. The financing activities mainly include the net proceeds of bank borrowings amounting to US$1.1 million for FY2016 and the payment of the FY2015 final dividend of US$3.3 million and the FY2016 interim dividend of US$0.5 million.

KEY FINANCIAL DATA

US$mn	FY2016	FY2015	FY2014	FY2013	FY2012
Total assets	83.5	88.7	118.9	109.8	118.8
Total liabilities	23.2	22.8	48.8	40.8	55.9
Current assets	72.6	76.6	108.4	97.0	96.7
Current liabilities	22.0	20.7	43.2	35.8	48.0
Shareholders' equity	60.3	65.9	70.1	69.0	62.9
Revenue	103.2	118.1	151.8	175.1	196.4
Profit before tax	3.0	10.0	11.5	15.5	18.2
Profit after tax	0.4	7.9	8.4	11.3	11.4
Earnings per share (US cents)	0.17	3.34#	3.52#	4.82#	4.82#
Dividends per share (US cents)	0.7*	2.4#	2.4#	2.4#	2.4#

* including the proposed final dividend for FY2016

adjusted for consolidation of two ordinary shares of par value @ US$0.02 each into one ordinary share of par value @ US$0.04 each on 26 August 2016

Key Operational Information / Data

LCD Backlight Units Operating Subsidiaries
(TM Hong Kong, CD Shanghai, TM Dongguan & TM Japan)

	FY2016	FY2015	FY2014	FY2013	FY2012
Revenue (US$mn)	59.1	80.0	100.2	121.5	125.3
Earnings before interest and Taxes (EBIT) (US$mn)	5.8	7.5	11.5	15.1	15.3
Gross floor area (sqm)	19,096	19,731	19,731	19,731	19,731
Clean room area (sqm)	5,416	6,077	6,306	6,208	6,208
Number of staff	114	125	166	151	153
Number of workers	556	707	1,733	1,523	1,653
Production capacity (units/mth)	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000

LCD Parts and Accessories Operating Subsidiaries
(TM Hong Kong, TM Pudong, TM Dongguan, TM Japan, SMT Hong Kong, SMT Dongguan & MT Wuxi)

	FY2016	FY2015	FY2014	FY2013	FY2012
Revenue (US$mn)	22.1	21.1	26.4	30.6	49.0
EBIT (US$mn)	0.7	0.4	1.1	0.6	7.6
Gross floor area (sqm)	11,245	15,601	16,210	16,210*	36,887
Clean room area (sqm)	2,590	3,400	2,107	2,107	4,373
Number of staff	83	107	129	144	180
Number of workers	148	210#	518	605	767

* MT Wuxi was acquired in January 2013 and CD Suzhou terminated the business operations in September 2013.
# TM Pudong stopped production in October 2015.

Office Automation Operating Subsidiaries
(TM Hong Kong, TM Shanghai, TM Japan, WH Hong Kong, WH Dongguan & GCY Shanghai)

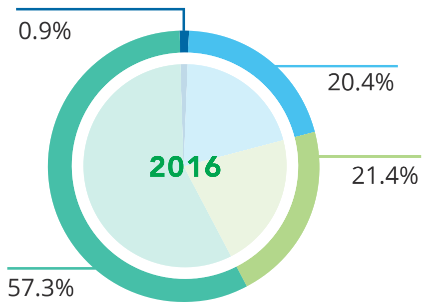
	FY2016	FY2015	FY2014	FY2013	FY2012
Revenue (US$mn)	21.1	16.6	25.2	23.0	22.1
EBIT (US$mn)	0.4	0.1	0.7	(0.1)	(1.6)
Gross floor area (sqm)	7,236	7,236	7,236	7,236	7,830
Clean room area (sqm)	1,091	1,091	1,163	1,163	569
Number of staff	138	139	145	156	158
Number of workers	318	333	329	360	389

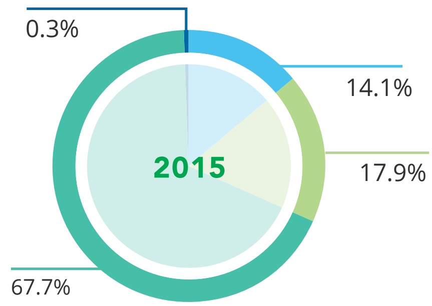
(Figures are based on December of each year.)

Financial and Operations Review

Segmental Financial Highlights

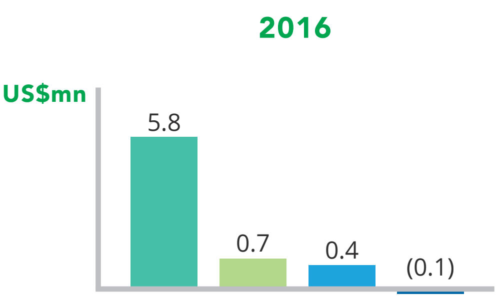
Revenue By Business Segment

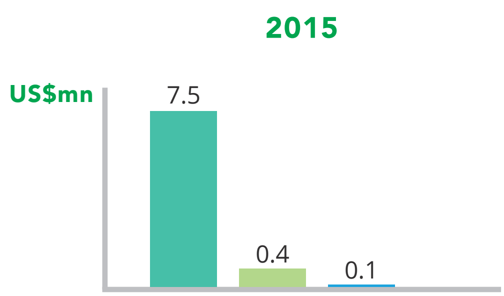




Revenue (US$mn)	FY2016	FY2015	%Change
LCD Backlight Units	59.1	80.0	(26.1)
LCD Parts and Accessories	22.1	21.1	4.7
Office Automation	21.1	16.6	27.1
Others	0.9	0.4	125.0

EBIT By Business Segment





EBIT (US$mn)	FY2016	FY2015	%Change
LCD Backlight Units	5.8	7.5	(22.7)
LCD Parts and Accessories	0.7	0.4	75.0
Office Automation	0.4	0.1	300.0
Others	(0.1)	N.M.*	N.M.*

* N.M. = Not meaningful

LCD Backlight Units
LCD Parts and Accessories
Office Automation
Others

Board of Directors

EXECUTIVE DIRECTORS

URANO Koichi

Chairman and Chief Executive Officer

(Appointment: 5 March 2007 Last re-election: 28 April 2016)

On 31 March 2012, Mr Urano succeeded from Mr Yoshimi Kunikazu who founded the Group. As the Chief Executive Officer, he is responsible for overseeing the overall operations and strategy, planning and development of the Group. He has more than 22 years of experience and knowledge of the LCD technology and has made considerable contribution towards the development of Group's business in the Japanese and overseas markets.

YOSHIKAWA Makoto

Executive Director and Chief Operating Officer

(Appointment: 1 February 2017)

Mr Yoshikawa was appointed as the Group's Chief Operating Officer on 1 May 2016 and is in charge of the overall operations of the Group, particularly in the sales and marketing, and new product development functions in existing core business. He also oversees overall strategy, planning and development of the Group. Mr Yoshikawa joined TM Japan in November 1999 and has been an executive officer of TM Japan since 2014 and has become its sole legal representative in February 2017. He has extensive sales experience in the LCD and backlight business and has exposure in procurement, human resources development and business development.

DY MO Hua Cheung, Philip

Executive Director and Chief Financial Officer

(Appointment: 28 April 2008 Last re-election: 28 April 2016)

Mr Dy Mo was re-designated as the Chief Financial Officer on 26 February 2015, and is responsible for the overall management of our Group's financial and management reporting, budgeting, treasury, internal control, auditing functions and accounting and compliance processes. He joined our Group as Financial Controller and Head of Administration of the Group in 2003 and has extensive experience in the auditing and accounting profession. Mr Dy Mo graduated from the University of Birmingham, England and is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

Board of Directors

CHONG Pheng | LAI Shi Hong, Edward | MITANI Masatoshi

INDEPENDENT DIRECTORS

CHONG Pheng

Lead Independent Director
(Appointment: 31 May 2011 Last re-election: 28 April 2014)

Mr Chong started his own business in several different industries after retiring from the Singapore Armed Forces. He is the director and owner of Blue Forest Echo Pte Ltd, a director of Zhong Xing Venture Pte Ltd and Share Taxi Pte Ltd, and an independent director of CMON Ltd. He has also worked with several companies on marketing, sales and business development. He holds a First Class Honors Degree in Electronic and Electrical Engineering from the National Defense Academy in Japan, a Master of Science Degree in Defense Technology (Electronics) from Cranfield University (Royal Military College of Science) in England and a Graduate Diploma in the Organisation Learning from the Civil Service College in Singapore.

LAI Shi Hong, Edward

Independent Director
(Appointment: 5 August 2004 Last re-election: 28 April 2014)

Mr Lai was re-designated from Executive Director to Non-Executive Director in October 2011, and now served as an Independent Director with effect from 26 February 2015. He has more than 29 years of experience in finance, accounting and business management, and is currently the chief financial officer and the company secretary of Wuling Motors Holdings Limited, a main-board listed company in Hong Kong. He graduated from the University of Hong Kong with a Bachelor of Arts and holds a Master of Science Degree in Corporate Governance and Directorship from the Hong Kong Baptist University. He is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and a member of the Institute of Chartered Accountants in England and Wales.

MITANI Masatoshi

Independent Director
(Appointment: 31 May 2011 Last re-election: 29 April 2015)

Mr Mitani is a professional accountant by training and a certified public accountant. He has more than 21 years of experience in accounting, auditing, taxation and corporate secretarial work in Japan, Hong Kong and Singapore. He is currently the managing partner of an accounting and consultancy firm in Singapore. He is a permanent resident in Singapore since 2001. Mr Mitani graduated from the Kyoto University. He is a member of the Japanese Institute of Certified Public Accountants and the Institute of Singapore Chartered Accountants.

Key Executive Officers

CHAN Kam Wah | LEE Haeng Jo | MIZUGUCHI Tomakazu | OCHI Shinichi | SHINJO Kunihiko

CHAN Kam Wah

Head of Operations in Southern China

Mr Chan is responsible for the overall operations in Hong Kong and Southern China. He has been the legal representative and General Manager of WH Dongguan, SMT Dongguan and TM Dongguan since March 2008, September 2015 and September 2016 respectively. In March 2017, he was promoted as General Manager of TM Hong Kong. Mr Chan joined the Group in 1999 and has extensive experience in the sales and marketing business.

LEE Haeng Jo (also known as MORIYAMA Kozo)

Head of Production and Corporate Planning

Mr Lee is responsible for overseeing the production facilities of the Group in Hong Kong and China. He was formerly engaged in our LCD backlight units division in Shanghai on a consultancy basis and contributed significantly to the success of this division. Mr Lee has more than 20 years of experience in sales and marketing in Japan. He is responsible for the corporate planning of the Group, and also addresses the improvement of business performance of the Group.

MIZUGUCHI Tomokazu

Head of Life Sciences

Mr Mizuguchi has been a key executive officer of the Group since April 2012 and is currently assigned to promote the Group's new business in life sciences industry. Prior to the new assignment, he was responsible for coordinating different functions in the LCD Backlight Units operations of the Group. Mr Mizuguchi joined the Group in April 2005 as head of sales department of LCD Backlight Units in TM Hong Kong and was promoted to General Manager of TM Hong Kong in June 2011 and left in February 2017 for the current position as Director in CLS Japan.

OCHI Shinichi

Head of Food and Beverage

Mr Ochi is responsible for developing and promoting the Group's food and beverage business after stepping down as Executive Director of the Group and Executive Managing Director of TM Japan in April 2016. He has been the President of TWB since May 2016 and is also in charge of Muguruma. With management skill developed in his career with the Group for more than 24 years, with 15 years as senior management, he has made significant contribution to the Group's success, particularly in cost management.

SHINJO Kunihiko

Head of Finance (Group Coordinator)

Mr Shinjo is responsible for coordinating financial activities across the Group and establishing relationships with financial institutions overseas. He has more than 30 years of experience in accounting, financial control, treasury management and tax compliance in Japan. He joined the Group as the Branch Manager of Osaka Representative Office of the Group in 2005. He was appointed as non-executive director of TM Japan in 2006 and he has been an executive director of TM Japan since May 2012.

Corporate Information

Board of Directors

Chairman and Chief Executive Officer
URANO Koichi

Executive Director
YOSHIKAWA Makoto
DY MO Hua Cheung, Philip

Lead Independent Director
CHONG Pheng

Independent Director
LAI Shi Hong, Edward
MITANI Masatoshi

Key Executive Officers

CHAN Kam Wah
LEE Haeng Jo (also known as MORIYAMA Kozo)
MIZUGUCHI Tomokazu
OCHI Shinichi
SHINJO Kunihiko

Company Secretary

WAN Tiew Leng, Lynn, FCIS

Audit Committee

LAI Shi Hong, Edward (Chairman)
CHONG Pheng
MITANI Masatoshi

Remuneration Committee

CHONG Pheng (Chairman)
LAI Shi Hong, Edward
MITANI Masatoshi

Nominating Committee

MITANI Masatoshi (Chairman)
CHONG Pheng
LAI Shi Hong, Edward

Assistant Secretary

Estera Services (Bermuda) Limited
Canon's Court, 22 Victoria Street
Hamilton, HM 12
Bermuda

Bermuda Company Registration Number

35127

Registered Office

Canon's Court, 22 Victoria Street
Hamilton, HM 12
Bermuda

Principal Office

Room 6-10, 11th Floor, CCT Telecom Building
11 Wo Shing Street, Fotan, Shatin
New Territories, Hong Kong

Singapore Share Transfer Agent

Boardroom Corporate & Advisory Services Pte. Limited
50 Raffles Place #32-01, Singapore Land Tower
Singapore 048623

Bermuda Share Registrar

Estera Management (Bermuda) Limited
Canon's Court, 22 Victoria Street
Hamilton, HM 12
Bermuda

Auditors

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue Central,
Hong Kong

Audit Partner: WONG Sau Pik
Date of appointment: 29 October 2012

Investor Relations

Cogent Communications Pte Limited
51 Goldhill Plaza #22-05
Singapore 308900
Tel: 67049288
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FINANCIAL CONTENTS

Corporate Governance Report

The Board of Directors (the "Board") and the management ("Management") of CDW Holding Limited recognise the importance of and are committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the "Group") and have implemented self-regulatory corporate practices so as to enhance transparency and protect the interests of the Company's shareholders.

The Monetary Authority of Singapore had issued a revised Code of Corporate Governance on 2 May 2012 (the "Code"), which replaced the Code of Corporate Governance issued on 14 July 2005. Rule 710 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") requires an issuer to outline the corporate governance practices adopted by the Company as set out in the Code.

This report describes the corporate governance practices and procedures of the Company, with specific reference to the principles and guidelines set out in the Code. The Company confirms that it is substantially in compliance with the Code and reasons for any deviation are explained below.

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The members of the Board for the financial year 2016 and as at the date of this report are as follows:

URANO Koichi	(Chairman and Chief Executive Officer)
KIYOTA Akihiro	(Executive Director and Chief Operating Officer – Resigned on 1 February 2017)
DY MO Hua Cheung, Philip	(Executive Director and Chief Financial Officer)
OCHI Shinichi	(Executive Director – Resigned on 28 April 2016)
YOSHIKAWA Makoto	(Executive Director and Chief Operating Officer – Appointed on 1 February 2017)
CHONG Pheng	(Lead Independent Director)
LAI Shi Hong, Edward	(Independent Director)
MITANI Masatoshi	(Independent Director)
NG Wai Kee	(Independent Director – Retired on 28 April 2016)

The Board plays an effective role in leading and controlling the long-term corporate goals and strategies of the Group. As part of its strategic formulation, sustainability issues (where applicable, e.g. environmental and social factors) and key stakeholder groups' perception are considered. It also sets the Company's values and standards (including ethical standards), and ensures that obligations to shareholders and other stakeholders are understood and met.

Besides performing the statutory and fiduciary duties and responsibilities, and assuming overall responsibility for corporate governance, the Board oversees the management and affairs of the Group and approves important business decisions involving the corporate and strategic directions of the Group.

With regard to the Group's financial matters, the Board is responsible for reviewing periodic financial reports to assess its financial performance and implementing policies for risk management, internal controls and compliance. The Board is also responsible for assessing risks faced by the Group and reviewing and monitoring appropriate measures to manage such risks. In addition, the Board approves nomination of directors to the Board, changes in the composition of the Audit, Nominating and Remuneration Committees and appointment of key management personnel. These functions are carried out either directly or delegated to various board committees including the Audit Committee, Nominating Committee and Remuneration Committee (collectively, the "Board Committees").

For remuneration matters, the Board reviews and endorses the recommended framework of remuneration for the Board and senior management by the Remuneration Committee. The Board Committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The effectiveness of each Board Committee is also constantly reviewed by the Board.

Decisions by the full Board are required for matters where there is a potential conflict of interest involving a substantial shareholder or a Director, and other major corporate matters such as material acquisitions and disposal of assets, approval of interested person transactions, corporate or financial restructuring, material investments, share issuance, dividend declarations, company share purchase mandate, appointment of new Directors and the approval of the annual budget, annual report, financial statements and financial results announcements which require public disclosures, proposals from management committee(s), among which, an Investment Committee.

The Investment Committee is a special task force formed by Management. The members are appointed by Executive Directors from amongst the members of the Board.

The members of the Investment Committee at the date of this report are as follows:

URANO Koichi (Chairman)
DY MO Hua Cheung, Philip
LAI Shi Hong, Edward

The primary function of the Investment Committee is to assist the Board in evaluating potential investment projects which create values to the Company.

Formal Board meetings will be held at least four (4) times a year to oversee the business affairs of the Group, and to approve, if applicable, any matters in relation to its financial or business affairs. Ad-hoc meetings will be convened when the circumstances require. The Company's bye-laws allow a Board meeting to be conducted by way of teleconference and videoconference.

The number of meetings held by the Board and Board Committees and attendance for the financial year 2016 are as follows:

Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings	Attended	No. of Meetings	Attended	No. of Meetings	Attended	No. of Meetings	Attended
URANO Koichi	4	4	-	-	-	-	-	-
KIYOTA Akihiro (Note 1)	4	4	-	-	-	-	-	-
DY MO Hua Cheung, Philip	4	4	-	-	-	-	-	-
OCHI Shinichi (Note 2)	1	1	-	-	-	-	-	-
LAI Shi Hong, Edward	4	4	4	4	1	1	1	1
CHONG Pheng	4	4	4	4	1	1	1	1
MITANI Masatoshi	4	4	4	4	1	1	1	1
NG Wai Kee (Note 3)	1	1	1	1	1	1	1	1

Notes:
1. KIYOTA Akihiro resigned as Executive Director on 1 February 2017.
2. OCHI Shinichi resigned as Executive Director on 28 April 2016.
3. NG Wai Kee retired as Independent Director at the Annual General Meeting held on 28 April 2016.

The Directors will receive further relevant training as and when appropriate, in particular on the applications of new laws and regulations as well as the changing commercial risks which are relevant to the business and operations of the Group. For any Director who has no prior experience as a director of a listed company, the Company will expect the Director to undergo training funded by the Company in areas such as accounting, legal and industry-specific knowledge, as and when appropriate. The Directors will also be updated on the business of the Group through regular meetings and informal discussions. A newly appointed director will be provided with a formal letter upon appointment, setting out the director's duties and obligations. A newly appointed director will also be given an orientation on the Group's business strategies, operations and organisational structure.

Principle 2: Board Composition and Balance

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Presently, the Board comprises three (3) Executive Directors (including the CEO) and three (3) Independent Directors. Independent Directors have made up half of the Board composition.

The Nominating Committee will review the independence of each Independent Director annually with reference to the Code's definition of what constitutes an Independent Director and any other salient factors. The Independent Directors, namely MITANI Masatoshi, CHONG Pheng and LAI Shi Hong, Edward, have confirmed that they do not have any relationship with the Company or its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interest of the Company. The Nominating Committee has reviewed and is satisfied that there are no relationships which would deem any of the Independent Directors not to be independent.

Mr Lai Shi Hong, Edward was first appointed as an Executive Director on 5 August 2004 and was re-designated as Non-Executive Director in October 2011. He then serves as an Independent Director from 26 February 2015. As stated in the preceding paragraph, the Board concurred with the Nominating Committee's view that Mr Edward Lai is independent in character and judgement and there were no circumstances which would likely affect or appear to affect his judgement.

The Board, with the assistance of Nominating Committee, will review its board size annually and determine what it considers to be an appropriate composition to ensure that the Group remains competitive and competent. The Nominating Committee is of the view that the current Board size of six (6) Directors is appropriate, taking into account the nature and scope of the Company's operations and the competencies of each Director.

The Independent Directors who are Non-Executive Directors constructively review and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance. Where necessary, the Non-Executive Directors will have discussions amongst themselves without the presence of Management.

A summary of the academic and professional qualifications and other appointments of each Director is set out on pages 15 and 16 of this annual report.

Principle 3: Chairman and Chief Executive Officer ("CEO")

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr URANO Koichi is currently the Group's Chairman and CEO.

As a Chairman, he plays an instrumental role in setting the strategic direction of the Group and provides the Group with strong leadership and vision. As a CEO, he is responsible for the day-to-day operations of the Group and ensuring that organisational objectives are achieved.

The single leadership structure adopted by the Group, whereby the Chairman of the Board and the CEO is the same person, is a decision arrived at by the Board following a deliberated thought-out process so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

The Company recognises that in accordance with the Code, the two (2) roles should be kept separate. In this respect, Mr CHONG Pheng has been appointed the Lead Independent Director of the Company with effect from 26 February 2015 to serve in a lead capacity to co-ordinate the activities of the other non-executive directors to assist the Chairman of the Board and the Board to achieve and maintain effective corporate governance in managing the affairs of the Board and the Company.

In addition, there are adequate checks and balances in the decision-making process of the Board, no individual or small group of individuals dominates the Board's decision making process.

Principle 4: Board Membership

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

Principle 5: Board Performance

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

Nominating Committee ("NC")

The NC comprises all Independent Directors, namely MITANI Masatoshi, CHONG Pheng and LAI Shi Hong, Edward, and is chaired by MITANI Masatoshi. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

According to the written terms of reference of the NC, the NC performs the following functions:

(a) To review, assess, make recommendations to the Board on the appointment of directors including renominations and changes in the composition of Board Committees and making recommendations on the composition of the Board generally.

(b) To regularly review and make recommendations to the Board on the Board structure, size and composition having regard to the scope and nature of the operations, the requirements of the business, the diversity of skills, experience, gender and knowledge of the Company and the core competencies of the directors as a group.

(c) To review, assess and recommend nominee(s) or candidate(s) for re-appointment or re-election as Directors to the Board having regard to their competencies, commitment, contribution, performance and independence.

(d) To make plans for succession, in particular for the Chairman of the Board and Chief Executive Officer.

(e) To determine annually if a Director is independent bearing in mind the circumstances set forth in the Code.

(f) To decide whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations, and/or other principal commitments.

(g) To recommend to the Board internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards and the maximum number of listed company board representations which any Director may hold.

(h) To implement the process for assessment of the effectiveness of the Board as a whole, Board Committees and the contribution of each individual Director to the effectiveness of the Board.

(i) To recommend training and professional development programmes for the Board.

Every Director shall retire from office once (1) every three (3) years and is subject to the provisions of the Company's bye-laws whereby one-third (1/3) of the Directors are required to retire and subject themselves to re-election by shareholders at every annual general meeting ("AGM").

The NC will assess the effectiveness of the Board as a whole, its board committees and the respective contribution of each Director annually. In this regard, the NC will consider a number of factors based on objective evaluation criteria, including the achievement of certain financial targets, the performance of the Board, and the performance of individual Director's vis-à-vis attendance and contributions during Board meetings, etc.

The Board assesses its effectiveness as a whole through the completion of a questionnaire by each individual director which includes questions covering the above-mentioned areas of assessment. The NC collates the results of these questionnaires and formally discusses these results collectively with other Board members to address any areas for improvement.

In selecting new directors, re-nominating directors for re-election and changes in the composition of the Audit, Nominating and Remuneration Committees, the NC will seek to identify the competencies required to enable the Board or the relevant Board Committee, as the case may be, to fulfil its responsibilities. In the situation for a new appointment, the NC prepares a description of the role and the essential and desirable competencies for the particular appointment. In re-nominating directors for re-election, the NC will have regard to the results of the annual evaluation of directors.

Where necessary, external help may be sought to source for new directors, taking into consideration suggestions from the Board and Management. The NC meets with short-listed candidates to assess their suitability and to ensure that the candidates are aware of the expectations and the level of commitment required of them. Recommendations are put to the Board for its consideration and approval.

Each member of the NC shall abstain from deliberating and voting on any resolution in respect of the assessment of his performance or his re-nomination as Director.

On multiple board representations and taking into consideration other principal commitments, the NC's guideline adopted by the Board is that the number of directorships in listed companies that a Board member holds should not be more than five (5). In this regard, the NC is satisfied that the Directors have devoted sufficient time and attention to the Group.

Principle 6: Access to information

In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The members of the Board have access to complete information on a timely basis and in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board meeting, the members of the Board will be provided with management reports containing complete, adequate and timely information on major operational, financial and corporate issues, and other relevant documents and explanatory information required to support the decision-making process. In respect of budgets, any material variances between the projections and actual results are disclosed and explained during AC and Board meetings.

The Board has direct and independent access to senior management and the Company Secretary at all times. The Company Secretary, who administers, attends and prepares minutes of Board meetings, assists the Chairman in ensuring that Board meeting procedures are properly followed and the Company's bye-laws and relevant rules and regulations are complied with, including requirements of the Bermuda Companies Act and the SGX-ST. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

If Directors require independent professional advice in the furtherance of his duties, the cost of such professional advice will be borne by the Company.

REMUNERATION MATTERS

Remuneration Committee ("RC")

Principle 7: Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises all Independent Directors, namely CHONG Pheng, LAI Shi Hong, Edward and MITANI Masatoshi, and is chaired by CHONG Pheng. Each member of the RC shall abstain from voting on any resolutions in respect of his own remuneration package.

According to the written terms of reference of the RC, the functions of the RC are as follows:

(a) To function as the administrative committee referred to in the CDW Employees' Share Option Scheme 2013 and the CDW Share Performance Scheme 2013.

(b) To carry out its duties in the manner that it deems expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board of Directors from time to time.

(c) As part of its review, the RC shall take into consideration:

    (i) that the remuneration packages should be comparable within the industry and in comparable companies. A significant and appropriate proportion of executive directors' and key management personnel's remuneration should be structured so as to link rewards to corporate and individual performance;

    (ii) that the remuneration packages of employees related to executive directors, CEO (if CEO is not a director) and substantial or controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility;

    (iii) that the level and structure of remuneration should be aligned with the long-term interests and risk policies of the Company; and

    (iv) the Company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses.

The RC may obtain independent external legal and other professional advice as it deems necessary for making appropriate decisions. The expenses of such advice shall be borne by the Company.

For a competitive review of the remuneration packages of the Company's directors (including non-executive and independent directors) and senior executives, RC takes into account information on a report on the remuneration packages of comparable companies listed in Singapore and Hong Kong provided by a market surveyor.

The RC has established a framework of remuneration for the Board and key executives covering all aspects of remuneration including directors' fees, salaries, allowances, bonuses, long-term incentives schemes and benefits-in-kind.

The RC also reviews the fairness and reasonableness of the termination clauses of the service agreements of Executive Directors and key management executives to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with an aim to be fair and avoid rewarding poor performance.

Principle 8: Level and Mix of Remuneration

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Principle 9: Disclosure on Remuneration

Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The Company sets remuneration packages which are competitive and sufficient to attract, retain and motivate Directors and Management with the required experience and expertise to manage the business and operations of the Group. The remuneration paid to the Directors and key executive officers for services rendered during the financial year ended 31 December 2016 are as follows:

DIRECTOR'S REMUNERATION

Name of Directors (Remuneration in SG$)	Salary	Benefits-in-kind	Directors' fees	Performance bonus	Share options
URANO Koichi (SG$544,300)	85%	11%	–	–	4%
KIYOTA Akihiro (SG$199,500)	95%	–	–	–	5%
DY MO Hua Cheung, Philip (SG$354,800)	97%	–	–	–	3%
OCHI Shinichi (Note) (SG$71,300)	89%	–	–	–	11%

Name of Directors (Remuneration in SG$)	Salary	Benefits-in-kind	Directors' fees	Performance bonus	Share options
CHONG Pheng (SG$85,000)	–	–	94%	–	6%
LAI Shi Hong, Edward (SG$65,000)	–	–	92%	–	8%
MITANI Masatoshi (SG$65,000)	–	–	92%	–	8%
NG Wai Kee (SG$25,000)	–	–	80%	–	20%

Remuneration of Key Executive Officers (not being Directors)

Remuneration band and Name of Key Executive Officers	Salary	Benefits-in-kind	Directors' fees	Performance bonus	Share options
SG$250,000 to SG$499,999					
CHAN Kam Wah	73%	23%	–	–	4%
LEE Haeng Jo	70%	27%	–	–	3%
MIZUGUCHI Tomokazu	78%	19%	–	–	3%
Below SG$250,000					
SHINJO Kunihiko	95%	–	–	–	5%
OCHI Shinichi (Note)	98%	–	–	–	2%
YOSHIKAWA Makoto	96%	–	–	–	4%

Note:
The Director's remuneration of OCHI Shinichi was for the period from January to April 2016 as he resigned as Executive Director on 28 April 2016 and remains as a Key Executive Officer. His remuneration as Key Executive Officer was for the period from May to December 2016.

The total remuneration paid to the above key management executives for the financial year ended 31 December 2016 was approximately SG$1,495,300.

To keep the level and structure of remuneration aligned with the long-term interest and risk policies of the Company and appropriate to attract, retain and motivate the Directors to provide good stewardship, the remuneration of the Independent Directors and Non-Executive Directors is determined by the Remuneration Committee as proportionate to the level of an Independent Director's or Non-Executive Director's contribution or involvement during a year, taking into account factors such as effort and time spent, and responsibilities of that Independent or Non-Executive Director, up to a maximum fixed sum which will be subject to approval at the AGM.

The Company has entered into service agreements with the CEO and all Executive Directors. The terms of the appointment are for five (5) years each with review every year, unless otherwise terminated by either party giving not less than three (3) months' written notice. Their compensation packages consist of salary, bonus, and performance awards that are dependent on the Group's and their individual performance.

Save for compliance with local laws and regulations pertaining to any mandatory termination and retirement benefits in the jurisdiction in which each Director or key management personnel is employed, there are no termination or retirement benefits that are granted to the Directors or key management personnel.

The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management executives in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

There were no employees who are immediate family members of the Directors, the CEO, and whose remuneration exceeded SG$50,000 during the year.

The Company has a previous share option scheme known as CDW Holding Share Option Scheme (the "2004 Scheme") which expired on 8 November 2009. The Company had adopted a new CDW Holding Share Option Scheme 2013 (the "2013 Scheme") and CDW Holding Share Performance Scheme (the "Performance Scheme") on 29 April 2013. The 2013 Scheme and the Performance Scheme comply with the relevant rules as set out in Chapter 8 of the SGX-ST Listing Manual. The 2013 Scheme and the Performance Scheme will provide eligible participants as defined in the Company's circular dated 12 April 2013 with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The 2013 Scheme and the Performance Scheme are administered by the committee comprising three (3) directors who are members of RC. Details of the 2013 Scheme and the Performance Scheme can be found in the Company's circular dated 12 April 2013.

No share options and performance shares have been granted during the financial year ended 31 December 2016. Further information on the 2013 Scheme and the Performance Scheme are set out on pages 89 to 91 of this annual report.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is accountable to the shareholders and is mindful of its obligation to furnish timely information and to ensure full disclosure of material information in compliance with statutory requirements and the Listing Manual of the SGX-ST.

The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a quarterly basis.

Management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a monthly basis and whenever necessary for the discharge of responsibility to the Company's shareholders.

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interest and the company's assets, and should determine the nature and extent of the significant risk which the Board is willing to take in achieving its strategic objectives.

The Board requires Management to maintain a sound system of risk management and internal controls to safeguard shareholders' interest and the Company's assets, and determines the nature and extent of the significant risk which the Board is willing to take in achieving its strategic objectives.

The Board maintains overall responsibility for the governance of risk while the AC has been assigned to oversee the risk management system and system of internal controls put in place by Management within the Group to identify risks and document counter-measures to address risks in the Group's business, and to safeguard the shareholders' interests and the Group's assets. Given that the entire Board oversees the risk management system and system of internal controls put in place by Management, it has not established a separate risk committee in carrying out the responsibility of overseeing the Group's risk management framework and policies.

Major risks and their respective counter-measures are identified and analysed by Management and documented in the Group's risk register and discussed with the Board at each quarter. This risk management framework is intended to provide reasonable but not absolute assurance against material financial misstatements or loss, and to safeguard assets and ensure maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risks.

Management will review and adjust its business and operational activities, if necessary, where it identifies areas of significant business risks as well as taking appropriate measures to control and mitigate these risks. Management, on a continuous basis, reviews all significant control policies and procedures and highlights all significant matters to the Board.

Management alone does not guarantee that business undertakings will not fail. However, by identifying and managing risks that may arise, Management can make more informed decisions and benefit from a better balance between risk and reward. This will help protect and also create shareholders' value.

Management is then expected to ensure that appropriate controls are in place to manage those risks, and such risks and controls, including financial, operational, compliance and information technology controls are monitored by the Board on a regular basis and reviewed at least annually for adequacy and effectiveness.

During the year, the AC reviewed the adequacy and effectiveness of the Company's internal controls and risk management procedures put in place by Management, taking into consideration internal control issues highlighted by the internal auditors and external auditors during the year as well as measures taken by Management in response to these control issues. The Company's internal controls and risk management processes are sufficient to meet the needs of the Company in its current business environment.

The Board has also received assurances from the CEO and the CFO that for the financial year ended 31 December 2016: (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) the Group's risk management and internal controls systems are adequate and effective.

The Board, after taking into consideration the work performed by external and internal auditors, the actions taken by Management, the current risk management framework in place, the on-going review and continuing efforts at enhancing controls and processes, with the concurrence of the AC, is of the opinion that the system of internal controls maintained by the Group is adequate and effective to address financial, operational, compliance and information technology risks and meets the needs of the Group in providing reasonable assurance against material financial misstatements or loss and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and containment of business risks.

Principle 12: Audit Committee ("AC")

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

Our AC comprises all Independent Directors, namely CHONG Pheng, LAI Shi Hong, Edward and MITANI Masatoshi and is chaired by LAI Shi Hong, Edward. Each member of the AC shall abstain from voting on any resolutions in respect of matters in which he is interested.

Corporate Governance Report

All members of the AC, including the AC Chairman, have sufficient accounting and/or related financial management expertise or experience, as assessed by the Board in its business judgement and the Board is of the view that the AC members have the relevant expertise to discharge the function of an AC. The AC will assist the Board with regard to discharging its responsibility to safeguard the Company's assets, maintain adequate accounting records, and develop and maintain effective systems of internal controls with an overall objective to ensure that Management has created and maintained an effective control environment in the Company, and that Management demonstrates and stimulates the necessary aspect of the Group's internal control structure among all personnel.

According to the written terms of reference of the AC, the AC performs the following functions:

(a) To review with the external auditors:

  (i) the audit plan, including the nature and scope of the audit before the audit commences;

  (ii) their evaluation of the system of internal accounting controls;

  (iii) their audit report; and

  (iv) their management letter and Management's response.

(b) To ensure co-ordination where more than one audit firm is involved.

(c) To review the quarterly/half-year and annual financial statements to ensure integrity of the said financial statements before submission to the Board for approval, focusing in particular, on:

  (i) significant financial reporting issues and judgements;

  (ii) changes in accounting policies and practices;

  (iii) major risk areas;

  (iv) significant adjustments resulting from the audit;

  (v) the going concern statement;

  (vi) compliance with accounting standards; and

  (vii) compliance with stock exchange and statutory/regulatory requirements.

(d) To review any formal announcements relating to the Company's financial performance.

(e) To discuss problems and concerns, if any, arising from the quarterly and final audits, in consultation with the internal auditors and in the case of final audits only, in consultation with the external auditors as well, where necessary.

(f) To meet with the external auditors and with the internal auditors without the presence of Management, at least annually, to discuss any problems and concerns they may have.

(g) To review the assistance given by Management to the external auditors.

  To review annually the scope and results of the external audit and its cost effectiveness as well as the independence and objectivity of the external auditors.

(h) Where the auditors also provide non-audit services to the Company, the AC has to review the nature and extent of such services in order to balance the maintenance of objectivity and value for money, and to ensure that the independence of the auditors would not be affected.

(i) To review the internal audit programme and the adequacy and effectiveness of the Company's internal audit function, as well as to ensure co-ordination between the internal and external auditors and Management.

(j) To oversee and advise the Board in formulating its risks policies to effectively identify and manage the Company's current (and future) risks in its financial, operational, compliance and information technology systems and all strategic transactions to be undertaken by the Company.

(k) To oversee Management in the design and implementation of the overall risk management systems and internal control systems (including financial, operational, compliance and information technology controls).

(l) To review the adequacy and effectiveness of the Company's risk management and internal control systems (including financial, operational, compliance and information technology controls) and to report to the Board annually.

(m) To review the scope and results of the internal audit procedures including the effectiveness of the internal audit function and ensure that the internal audit function is adequately resourced and has appropriate standing within the company.

(n) To review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and Management's response.

(o) To investigate any matter within its terms of reference, with full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

(p) To review the whistle blowing policy of the Company.

(q) To report to the Board its findings from time to time on matters arising and requiring the attention of the Committee.

(r) To review interested person transactions (IPTs) falling within the scope of the Listing Manual.

(s) To approve the hiring, removal, evaluation and compensation of the internal audit function.

(t) To recommend to the Board the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors.

(u) To review the audit representation letters before consideration by the Board, giving particular consideration to matters that related to non-standard issues.

(v) To undertake such other reviews and projects as may be requested by the Board.

(w) To undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

Apart from the duties listed above, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or infringement of any Singapore and other applicable law, rule or regulation which has or is likely to have material impact on our Company's operating results and/or financial position.

Corporate Governance Report

The AC meets four (4) times a year after the end of each quarter and also holds informal meetings and discussions with Management from time to time. The AC has full discretion to invite any Director or executive officer to attend its meetings. The external auditor was also present at the relevant junctures. In its review of the audited financial statements for the financial year ended 31 December 2016, the AC discussed with Management and external auditors the audit work performed and accounting principles applied. The following significant matters impacting the financial statements were discussed with Management and external auditors and were reviewed by the AC:

Significant matters	How the AC reviewed these matters and what decisions were made
Impairment assessment of the investment in an associate	The AC considered the approach and methodology applied to the impairment assessment of investment in an associate. It reviewed the reasonableness of value in use calculation based on the discounted cash flow method, the long-term growth rate and discount rate. The impairment assessment of investment in an associate was also an area of focus for the external auditors. The external auditors have included this item as a key audit matter in its audit report for the financial year ended 31 December 2016. Please refer to page 43 of this annual report.
Impairment assessment of property, plant and equipment	The AC considered the approach and methodology applied to the assessment for indicators of impairment of property, plant and equipment as well as the valuation model in impairment assessment when such indicators of impairment are identified. It reviewed the reasonableness of forecast of cash flow generated by those property, plant and equipment, their average remaining useful life, the growth rate and discount rate. The impairment assessment of property, plant and equipment was also an area of focus for the external auditors. The external auditors have included this item as a key audit matter in its audit report for the financial year ended 31 December 2016. Please refer to page 43 of this annual report.

The AC has been given full access to and is provided with the co-operation of the Company's management. In addition, the AC has independent access to the external auditors. The AC has adequate resources to enable it to discharge its functions properly.

The AC meets with the external and internal auditors without the presence of Management at least once (1) a year. The Company is in compliance with Rule 712 and Rule 715 of the Listing Manual of the SGX-ST whereby the Company appoints a suitable auditing firm to meet its audit obligations in respect of its own accounts and for its subsidiaries.

The AC has reviewed the volume of non-audit services to the Group by the external auditors, and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The aggregate amount of fees, broken down into audit and non-audit fees paid to auditors for the financial year ended 31 December 2016 can be referred to page 73 of the Annual Report. The AC is pleased to recommend their re-appointment.

The AC has established the whistle-blowing policy where staff of the Group and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting, fraudulent acts and other matters, and ensure that arrangements are in place for independent investigations of such matters and for appropriate follow up actions.

The AC is kept abreast of the changes to accounting standards and issues which may have a direct impact on financial statements through updates provided by the external auditors or briefings from the Company's finance function during AC meetings.

No former partner or director of the Company's current auditing firm is a member of the AC.

Principle 13: Internal Audit

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Company has set up an in-house internal audit team, which is staffed with persons with relevant experience to carry out the internal audit functions for the Group. The internal auditors report primarily to the Chairman of the AC and report administratively to the CEO. Taking into account inputs from the executive directors, the AC approves the hiring, removal, evaluation and compensation of the head of the internal audit function.

The focus of the internal audit function is to strengthen the internal control structure and risk management of the Group through the conduct of independent and objective reviews. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including access to the AC.

The internal audit team adopts the principles and methodologies of the Institute of Internal Auditors, USA, and is provided with training where appropriate. The internal audit team carries out the internal audit functions by company in accordance with approved internal audit plan which normally has duration of two (2) to three (3) years. Each company of the Group will be covered and subject to internal audit review and testing at least once (1) during the cycle of the internal audit plan. The AC reviews the internal audit team's scope of work on an annual basis as well as the adequacy and effectiveness of the internal audit function annually.

The Company's internal auditors conduct tests of the Company's internal controls, including financial, operational and compliance controls systems maintained by Management (collectively, "internal controls"). The internal audit plan for each year is developed taking into consideration the risks of each processes. Any material non-compliance or failures in internal controls, and recommendations for improvements, are reported to the AC.

In 2011, the Company engaged an external qualified professional, Protiviti Hong Kong Co. Limited ("Protiviti") under the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, to perform an external quality assessment of its internal audit function at least once every five (5) years and to make recommendations in formulating the risk-based internal audit approach and strategy to cover all high risk areas. In this regard, the AC had recommended to the Board and Management to adopt and implement its recommendations. Consequently, the internal audit team worked with Management to implement the recommendations to the satisfaction of AC. Based on the aforementioned review of the internal audit function, subsequent follow up on recommendations and review of the internal audit scope of work and reports, the AC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Group. As the Group's internal audit function's existing methodologies are based on Protiviti's approach, to ensure continued consistency and effectiveness of the Group's current processes and procedures, the Company re-engaged Protiviti in 2016 to perform such external quality assessment. Based on the assessment and recommendations, the Company will chart out a new internal audit plan for the financial year ending 31 December 2017 and onwards.

In addition, the Group's external auditors highlight internal control issues that come to their notice during the conduct of their normal audit procedures which are designed primarily for the purpose of expressing their opinion on the financial statements and these issues and their recommendations are reported to the AC.

Corporate Governance Report

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

All shareholders are treated fairly and equitably to facilitate their ownership rights. The Board is mindful of the obligation to provide timely and fair disclosure of all material developments that impact the Group in accordance with the Corporate Disclosure Policy of the SGX-ST.

Shareholders can vote in person or, as provided in the Company's bye-laws, appoint not more than two (2) proxies to attend and vote at general meetings. To enhance greater shareholder participation at general meetings, the Company has adopted poll voting for all resolutions proposed at all general meetings since 2012.

Principle 15: Communication with Shareholders

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company disseminates its latest corporate news, strategies and announcements promptly through SGXNET, press releases, various media as well as through our investor relations consultant's network. The Company ensures that price-sensitive information is publicly released on a timely basis. All shareholders of the Company will receive the annual report and the notice of the general meetings. The notice is also advertised in a local newspaper and made available on SGXNET. The Company does not practise selective disclosure.

While general meetings of the Company is the principal forum where shareholders may dialogue with the Directors and Management of the Company, Management may when appropriate, conduct media interviews to give shareholders and the public deeper insights of the Group's business and strategies. The Company also maintains and updates its corporate website with relevant corporate developments.

Principle 16: Conduct of Shareholder Meetings

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company encourages shareholders' participation at general meetings and all shareholders are given the opportunity to voice their views and to direct queries regarding the Group to Directors, including the chairperson of each of the Board Committees. The chairpersons of the Audit, Nominating and Remuneration Committees will be present and available to address questions at the AGM. The external auditors will also be present to assist the Directors in addressing any relevant questions from the shareholders regarding the conduct of the audit and the preparation and content of the auditor's report.

The Company prepares minutes of the general meetings that include substantial or relevant comments from shareholders relating to the agenda of the meeting, and responses from the Board and the minutes are available to shareholders upon their request.

In general meetings, the Company ensures that there are separate resolutions at general meetings on each distinct issue; and the Company puts all resolutions to vote by poll and makes an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages to the shareholders before the close of the meetings.

MATERIAL CONTRACTS

Save for the service agreements between the Executive Directors and the Company, and the advisory agreement between the retired CEO and the Company (as disclosed under "Interested Person Transactions"), there are no material contracts of the Company or its subsidiaries involving the interest of the CEO or any Directors or controlling shareholders subsisting at the end of the financial year ended 31 December 2016 or entered into since the end of that financial year.

DEALING IN SECURITIES

The Company has adopted a Best Practices Guide with respect to dealings in securities by Directors and officers of the Group. Directors, Management and officers of the Group who have access to price-sensitive, financial or confidential information are not permitted to deal in the Company's shares during the periods commencing at least two (2) weeks before the announcement of each of the Group's first three (3) quarters' results and one (1) month before the full year results until the day of the release of the announcement or while in possession of unpublished price-sensitive information on the Group. The Company has also reminded its Directors and officers not to deal in the Company's securities on short-term consideration.

The Company has complied with its Best Practices Guide on Securities Transactions which is in accordance with Rule 1207(19) of the SGX-ST Listing Manual.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are on an arm's length basis.

The interested person transactions entered into during the year under review is as follows:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than SG$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	**Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than SG$100,000)**
Name of interested person	**US$'000**	**US$'000**
Mr YOSHIMI Kunikazu - Advisory fee	263	–
Total	**263**	**–**

Directors' Statement

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of CDW Holding Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2016.

1. Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The directors of the Company in office at the date of this statement are:

URANO Koichi	(Chairman and Chief Executive Officer)
YOSHIKAWA Makoto	(Executive Director and Chief Operating Officer)
DY MO Hua Cheung, Philip	(Executive Director and Chief Financial Officer)
CHONG Pheng	(Lead Independent Director)
LAI Shi Hong, Edward	(Independent Director)
MITANI Masatoshi	(Independent Director)

In accordance with Bye-Laws 104 of the bye-laws of the Company, Chong Pheng and Lai Shi Hong, Edward retire, and Chong Pheng and Lai Shi Hong, Edward, being eligible, offer themselves for re-election.

In accordance with Bye-Laws 107(B) of the bye-laws of the Company, Yoshikawa Makoto retires and Yoshikawa Makoto, being eligible, offers himself for re-election.

3. Arrangements to Enable Directors to Acquire Shares and Debentures

Except as described in paragraphs 4, 6 and 7 below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

4. Directors' Interests in Shares and Debentures

The following directors, who held office at the end of the financial year, had an interest in shares and debentures of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of directors and companies in which interests are held	Direct interests: At the beginning of financial year	Direct interests: At the end of financial year (Note)	Deemed interests: At the beginning of financial year	Deemed interests: At the end of financial year
The Company				
Ordinary shares of US$0.04 each (2015: US$0.02 each)				
URANO Koichi	2,662,000	1,331,000	–	–
DY MO Hua Cheung, Philip	2,352,000	1,176,000	–	–
LAI Shi Hong, Edward	600,000	300,000	–	–
YOSHIKAWA Makoto	–	500,000	–	–

	Options to subscribe for ordinary shares: At the beginning of financial year	Options to subscribe for ordinary shares: At the end of financial year (Note)
The Company		
URANO Koichi	2,000,000	1,000,000
DY MO Hua Cheung, Philip	1,000,000	500,000
CHONG Pheng	500,000	250,000
LAI Shi Hong, Edward	500,000	250,000
MITANI Masatoshi	500,000	250,000

Note: On 26 August 2016, the Company consolidated every two (2) existing ordinary shares of par value of US$0.02 each in the authorised and issued capital of the Company into one (1) ordinary share of par value of US$0.04 each in the authorised and issued capital of the Company.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2017.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

5. Directors' Contractual Benefits

Except as disclosed in the financial statements, since the end of the previous financial years, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

6. Share Options

Options to take up unissued shares

The Company adopted the CDW Employees' Share Option Scheme 2013 (the "2013 Scheme") which was approved by the shareholders of the Company pursuant to the resolutions passed on 29 April 2013. The 2013 Scheme provides an opportunity for the Group's employees and directors to participate in the equity of the Company.

The rules of the 2013 Scheme are set out in the Company's Circular dated 12 April 2013 and summarised in note 25(b) to the financial statements. Qualified persons who are also the Company's controlling shareholders or their associates may not participate in the 2013 Scheme. The options grant the right to the holder to subscribe for new ordinary shares of the Company at a discount to the market price of the share, subject to a maximum limit of 20%, or at a price equal to the average of the closing prices of the shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") on the five days immediately preceding the date of the grant of the option.

The committee administering the 2013 Scheme comprises three directors, who are the members of the Remuneration Committee ("RC"), CHONG Pheng, LAI Shi Hong, Edward and MITANI Masatoshi.

Unissued shares under options exercised

The number of shares available under the 2013 Scheme and the Performance Scheme (as defined below) shall not exceed 15% of the issued share capital of the Company. Share options granted during the financial year and the number of outstanding share options under the 2013 Scheme are as follows:

Date of grant	Balance at 1 January 2016	Cancelled/ Lapsed	Share consolidation (2:1)	Granted	Exercised	Balance at 31 December 2016	Exercise price per share	Exercisable period
			(Note)		(Note)	(Note)	(Note)	
30 May 2014	19,000,000	(1,000,000)	(9,000,000)	–	(500,000)	8,500,000	SG$0.216	30 May 2016 to 29 May 2019

Note: On 26 August 2016, the Company consolidated every two (2) existing ordinary shares of par value of US$0.02 each in the authorised and issued capital of the Company into one (1) ordinary share of par value of US$0.04 each in the authorised and issued capital of the Company.

In respect of share options granted to employee of the Group, 500,000 (2015: Nil) were exercised, 1,000,000 (2015: Nil) were lapsed, no new options were granted (2015: Nil) and share consolidation (2:1) became effective during the financial year, making it a total of 8,500,000 (2015: 19,000,000) options granted from the commencement of the 2013 Scheme to the end of the financial year.

6. Share Options (continued)

Unissued shares under options exercised (continued)

Holders of the above share options have no right to participate in any share issue of any other company. No employee of the Group has received 5% or more of the total options available under the 2013 Scheme.

There are no options granted to any of the Company's controlling shareholders or their associates (as defined in the Singapore Exchange Securities Trading Listing Manual).

Details of the options to subscribe for ordinary shares of the Company granted to directors of the Company pursuant to the 2013 Scheme are as follows:

Name of directors	Options granted during the financial year	Aggregate options granted since commencement of the Scheme to the end of financial year	Aggregate options exercised since commencement of the Scheme to the end of financial year	Aggregate options cancelled/ lapsed since commencement of the Scheme to the end of financial year	Share consolidation (2:1) (Note)	Aggregate options outstanding as at the end of financial year
URANO Koichi	–	2,000,000	–	–	(1,000,000)	1,000,000
DY MO Hua Cheung, Philip	–	1,000,000	–	–	(500,000)	500,000
CHONG Pheng	–	500,000	–	–	(250,000)	250,000
LAI Shi Hong, Edward	–	500,000	–	–	(250,000)	250,000
MITANI Masatoshi	–	500,000	–	–	(250,000)	250,000

Note: On 26 August 2016, the Company consolidated every two (2) existing ordinary shares of par value of US$0.02 each in the authorised and issued capital of the Company into one (1) ordinary share of par value of US$0.04 each in the authorised and issued capital of the Company.

7. Share Performance

The Company adopted the Share Performance Scheme (the "Performance Scheme") which was approved by the shareholders of the Company pursuant to the resolutions passed on 29 April 2013. The rules of the Performance Scheme are set out in the Company's Circular dated 12 April 2013 and are summarised in note 25(c) to the financial statements. The number of shares available under the Performance Scheme and the 2013 Scheme (as defined above) shall not exceed 15% of the issued share capital of the Company.

The Performance Scheme is a performance incentive scheme which form an integral part of the Group's incentive compensation programme. Under this scheme, the Company is allowed to grant the Group's employees and directors (the "Participants") the right to receive fully paid shares of the Company free of charge upon achieving pre-determined key financial and operational targets (the "Award"). The Performance Scheme provides an opportunity for the Participants to participate in the equity of the Company, seeks to motivate the Participants to achieve key financial and operational goal and provides competitive remuneration to reward and retain existing Participants and to recruit new Participants for the long-term growth and profitability of the Group.

7. Share Performance (continued)

The committee administering the Performance Scheme comprises three directors, who are the members of the RC, CHONG Pheng, LAI Shi Hong, Edward and MITANI Masatoshi.

During the year ended 31 December 2016 and since the inception of the Performance Scheme, no Award was granted and no share was issued under the Performance Scheme.

8. Audit Committee ("AC")

The AC of the Company is chaired by LAI Shi Hong, Edward, an independent director, and includes CHONG Pheng and MITANI Masatoshi, all of whom are independent directors. The AC has met four times since the last Annual General Meeting ("AGM") up to the date of this statement and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

a) the audit plans and results of an independent firm's examination and evaluation of the Group's systems of internal accounting controls;

b) the Group's financial and operating results and accounting policies;

c) the consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company before their submission to the directors of the Company and the external auditors' report on those financial statements;

d) the quarterly and annual announcements as well as the related press releases on the results and the financial position of the Group and the financial position of the Company;

e) the co-operation and assistance given by the management to the Group's external and internal auditors; and

f) the re-appointment of the external auditors of the Group.

The AC has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the AC.

Further details regarding the AC are disclosed in the Corporate Governance Report.

The AC has recommended to the directors the nomination of Ernst & Young for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

9. Auditors

Ernst & Young have expressed their willingness to accept reappointment as auditors.

On behalf of the Board of Directors

URANO Koichi Chairman and Chief Executive Officer	DY MO Hua Cheung, Philip Executive Director and Chief Financial Officer

30 March 2017

Independent Auditor's Report

To the Members of CDW Holding Limited (Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of CDW Holding Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 46 to 110, which comprise the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the statements of changes in equity of the Group and the Company and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Bermuda Companies Act 1981 ("the Act") and International Financial Reporting Standards ("IFRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants, issued by the International Federation of Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of the investment in an associate	
The Group holds a 25% equity interests in Suzhou Pengfu Photoelectric Technology Co., Limited ("Suzhou Pengfu"), which is accounted for as an associate. The Group is required to assess the investment in an associate for impairment, if there is objective evidence of impairment. An impairment assessment of Suzhou Pengfu was performed by management at the year end date using a value in use calculation based on the discounted cash flow method. The impairment assessment is significant to our audit due to the complexity of the assessment process, which includes judgements and assumptions that are affected by expected future market or economic conditions. Related disclosures are disclosed in note 3 and 14 to the financial statements.	Our audit procedures included, amongst others, evaluating the assumptions and methodologies used by the Group in the cash flow projections, in particular those relating to the sales growth rate and pre-tax discount rate. We also assessed the historical accuracy of management's estimates and evaluated the business plans incorporated in the projections.
Impairment assessment of property, plant and equipment	
There has been a decreasing trend in sales and gross profit in recent years, and utilisation of the factory plant in the People's Republic of China ("PRC") has declined. These are indications of a possible impairment of the Group's property, plant and equipment. Management performed an impairment assessment of the Group's cash generating unit using a value in use calculation based on the discounted cash flow method. Such assessment requires management's judgement in forecasting industry trends, the general market, economic conditions and other information. Related disclosures are disclosed in note 3 and 11 to the financial statements.	Our audit procedures included, amongst others, evaluating the Group's policies and procedures in identifying impairment indicators and assessing management's significant assumptions adopted, in particular those relating to the cash flow forecasts. These included the sales growth rate, operating margin and the pre-tax discount rate. Our procedures on the assumptions included reference to observable market data, where available, and to comparable companies. We also involved our valuation experts to assist with our assessment.

Other Information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

To the Members of CDW Holding Limited (Incorporated in Bermuda with limited liability)

Responsibilities of Management and Directors for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Act and IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair consolidated financial statements and to maintain accountability of assets.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Sau Pik.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

30 March 2017

Consolidated Statement of Profit or Loss

Year ended 31 December 2016

	Notes	Group 2016 US$'000	Group 2015 US$'000
Revenue	4	103,221	118,097
Cost of sales		(78,499)	(91,443)
Gross profit		24,722	26,654
Other income	5	984	6,585
Distribution costs		(1,575)	(2,047)
Administrative expenses	6	(20,283)	(20,848)
Finance costs	7	(89)	(161)
Share of loss of an associate		(278)	(156)
Impairment loss of investment in an associate	14	(360)	–
Impairment loss of available-for-sale investments	15(b)	(83)	–
Profit before tax	8	3,038	10,027
Income tax expense	9	(2,635)	(2,093)
Profit for the year		403	7,934
Profit attributable to:			
Owners of the Company		403	7,935
Non-controlling interests		–	(1)
		403	7,934
Earnings per share (US cents)			(Restated)
Basic	10	0.17	3.34
Diluted	10	0.17	3.29

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

	Notes	Group 2016 US$'000	Group 2015 US$'000
Profit for the year		403	7,934
Other comprehensive (expense)/income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(1,387)	(1,917)
Available-for-sale investments:			
Fair value gain/(loss) arising during the year	15(a)	63	(42)
(Deferred tax liability arising)/Reversal of deferred tax liability on revaluation of available-for-sale investments		(22)	15
Reclassification adjustment arising from the liquidation of a subsidiary included in profit or loss		–	(4,937)
Other comprehensive expense for the year, net of tax		(1,346)	(6,881)
Total comprehensive (expense)/income for the year		(943)	1,053
Attributable to:			
Owners of the Company		(943)	1,054
Non-controlling interests		–	(1)
Total comprehensive (expense)/income for the year		(943)	1,053

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position

As at 31 December 2016

	Notes	Group 2016 US$'000	Group 2015 US$'000	Company 2016 US$'000	Company 2015 US$'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	7,088	8,337	–	–
Prepayment for the acquisition of intangible asset	12	970	–	–	–
Investments in subsidiaries	13(a)	–	–	11,334	11,334
Amount due from a subsidiary	13(b)	–	–	16,653	16,932
Investment in an associate	14	1,413	2,161	–	–
Investments	15	926	1,021	–	–
Other assets	16	523	568	–	–
Total non-current assets		10,920	12,087	27,987	28,266
Current assets					
Inventories	17	6,231	7,289	–	–
Trade and other receivables	18	19,733	17,285	97	36
Investments	15	1,432	1,478	–	–
Derivative financial instruments	19	38	–	–	–
Pledged bank deposit	20	146	146	–	–
Cash and bank balances	20	45,026	50,383	272	70
Total current assets		72,606	76,581	369	106
TOTAL ASSETS		83,526	88,668	28,356	28,372
LIABILITIES AND EQUITY					
Current liabilities					
Income tax payable		1,047	175	–	–
Current portion of bank borrowings	22	5,298	3,613	–	–
Current portion of finance leases	23	65	115	–	–
Trade and other payables	24	15,548	16,777	282	94
Total current liabilities		21,958	20,680	282	94
NET CURRENT ASSETS		50,648	55,901	87	12
Non-current liabilities					
Bank borrowings	22	716	1,282	–	–
Finance leases	23	16	80	–	–
Retirement benefit obligations	25(a)	347	411	–	–
Deferred tax liabilities	26	177	352	–	–
Total non-current liabilities		1,256	2,125	–	–
TOTAL LIABILITIES		23,214	22,805	282	94
NET ASSETS		60,312	65,863	28,074	28,278

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position

As at 31 December 2016

	Notes	Group 2016 US$'000	Group 2015 US$'000	Company 2016 US$'000	Company 2015 US$'000
Equity attributable to owners of the Company					
Share capital	27(a)	10,087	10,087	10,087	10,087
Treasury shares	27(b)	(2,980)	(2,061)	(2,980)	(2,061)
Retained earnings		30,146	33,526	1,558	919
Reserves	28	23,050	24,302	19,409	19,333
		60,303	65,854	28,074	28,278
Non-controlling interests		9	9	–	–
TOTAL EQUITY		60,312	65,863	28,074	28,278
TOTAL LIABILITIES AND EQUITY		83,526	88,668	28,356	28,372

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

	Share capital	Share premium of the Company	Share capital reserve	Treasury shares	Employee share option reserve
				Note 27(b)	Note 25(b)
	US$'000	US$'000	US$'000	US$'000	US$'000
GROUP					
Balance at 1 January 2015	10,087	18,994	(202)	(2,061)	209
Profit for the year	–	–	–	–	–
Other comprehensive expense for the year:					
Exchange differences on translation of foreign operations	–	–	–	–	–
Change in fair value of available-for-sale investments, net of tax	–	–	–	–	–
Reclassification adjustment arising from the liquidation of a subsidiary included in profit or loss	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–
Share-based payment expense (Note 25(b))	–	–	–	–	332
Transfer	–	–	–	–	–
Dividends paid (Note 35)	–	–	–	–	–
Balance at 31 December 2015 and 1 January 2016	10,087	18,994	(202)	(2,061)	541
Profit for the year	–	–	–	–	–
Other comprehensive income/(expense) for the year:					
Exchange differences on translation of foreign operations	–	–	–	–	–
Change in fair value of available-for-sale investments, net of tax	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	–	–
Share-based payment expense (Note 25(b))	–	–	–	–	101
Treasury shares transferred out to satisfy share options exercised	–	–	9	70	–
Transfer on share options exercised	–	–	–	–	(34)
Shares purchased under Shares Purchase Mandate and held in treasury shares	–	–	–	(989)	–
Transfer	–	–	–	–	–
Dividends paid (Note 35)	–	–	–	–	–
Balance at 31 December 2016	10,087	18,994	(193)	(2,980)	608

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

Year ended 31 December 2016

Merger reserve	Statutory Reserve Fund	Enterprise Expansion Fund	Other reserves	Fair value adjustment reserve	Foreign currency translation reserve	Retained earnings	Equity attributable to the owners of the Company	Non-controlling interests	Total equity
Note 28	Note 28	Note 28	Note 28	Note 28	Note 28				
US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
(7,020)	6,772	329	1,190	23	11,324	30,522	70,167	10	70,177
–	–	–	–	–	–	7,935	7,935	(1)	7,934
–	–	–	–	–	(1,917)	–	(1,917)	–	(1,917)
–	–	–	–	(27)	–	–	(27)	–	(27)
–	–	–	–	–	(4,937)	–	(4,937)	–	(4,937)
–	–	–	–	(27)	(6,854)	7,935	1,054	(1)	1,053
–	–	–	–	–	–	–	332	–	332
–	(771)	–	3	–	–	768	–	–	–
–	–	–	–	–	–	(5,699)	(5,699)	–	(5,699)
(7,020)	6,001	329	1,193	(4)	4,470	33,526	65,854	9	65,863
–	–	–	–	–	–	403	403	–	403
–	–	–	–	–	(1,387)	–	(1,387)	–	(1,387)
–	–	–	–	41	–	–	41	–	41
–	–	–	–	41	(1,387)	403	(943)	–	(943)
–	–	–	–	–	–	–	101	–	101
–	–	–	–	–	–	–	79	–	79
–	–	–	–	–	–	34	–	–	–
–	–	–	–	–	–	–	(989)	–	(989)
–	14	1	3	–	–	(18)	–	–	–
–	–	–	–	–	–	(3,799)	(3,799)	–	(3,799)
(7,020)	6,015	330	1,196	37	3,083	30,146	60,303	9	60,312

Statements of Changes in Equity (Continued)

Year ended 31 December 2016

	Share capital	Share premium	Share capital reserve	Treasury shares	Employee share option reserve	Retained earnings	Total equity
				Note 27(b)	Note 25(b)		
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
COMPANY							
Balance at 1 January 2015	10,087	18,994	(202)	(2,061)	209	454	27,481
Profit for the year and total comprehensive income for the year	–	–	–	–	–	6,164	6,164
Share-based payment expense (Note 25(b))	–	–	–	–	332	–	332
Dividends paid (Note 35)	–	–	–	–	–	(5,699)	(5,699)
Balance at 31 December 2015 and 1 January 2016	10,087	18,994	(202)	(2,061)	541	919	28,278
Profit for the year and total comprehensive income for the year	–	–	–	–	–	4,404	4,404
Share-based payment expense (Note 25(b))	–	–	–	–	101	–	101
Treasury shares transferred out to satisfy share options exercised	–	–	9	70	–	–	79
Transfer on share options exercised	–	–	–	–	(34)	34	–
Shares purchased under Shares Purchase Mandate and held in treasury shares	–	–	–	(989)	–	–	(989)
Dividends paid (Note 35)	–	–	–	–	–	(3,799)	(3,799)
Balance at 31 December 2016	10,087	18,994	(193)	(2,980)	608	1,558	28,074

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	Group 2016 US$'000	2015 US$'000
Operating Activities			
Profit before tax		3,038	10,027
Adjustments for:			
Interest income	5	(758)	(1,323)
Finance costs	7	89	161
Net loss/(gain) on disposal of property, plant and equipment	8	23	(16)
(Decrease)/Increase in allowance for inventories	8	(517)	641
Changes in fair value of derivative financial instruments	8	(40)	(75)
Changes in fair value of held for trading investments	8	82	108
Net loss on disposal of held for trading investments	8	–	23
Depreciation of property, plant and equipment	11	1,790	2,014
Reclassification adjustment arising from the liquidation of a subsidiary		–	(4,937)
Share of loss of an associate	14	278	156
Retirement benefit obligations	25(a)	57	(215)
Impairment loss of investment in an associate	14	360	–
Impairment loss of available-for-sale investments	15(b)	83	–
Loss on redemption of held-to-maturity investment	15(c)	206	–
Share-based payment expense	25(b)	101	332
Operating cash flows before movements in working capital		4,792	6,896
Changes in working capital:			
Trade and other receivables		(2,448)	8,877
Inventories		1,575	3,083
Trade and other payables		(1,229)	(13,098)
Cash generated from operations		2,690	5,758
Net income tax paid		(1,873)	(4,347)
Retirement benefit obligations paid		(137)	–
Interest paid		(89)	(161)
Net cash from operating activities		591	1,250
Investing Activities			
Proceeds on disposal of property, plant and equipment		6	45
Purchase of property, plant and equipment *		(832)	(1,759)
Decrease/(Increase) in other assets		56	(38)
Proceeds from repayment of loans and receivables		–	4,593
Advance from loans and receivables		–	(3,911)
Additional investment in available-for-sale investments		(909)	(10)
Interest income received		758	1,323
Purchase of held for trading investments		(36)	(29)
Proceeds from disposal of held for trading investments		–	78
Investment in an associate		–	(2,442)
Prepayment for the acquisition of intangible asset		(969)	–
Proceeds from redemption of held-to-maturity investment		776	–
Net cash used in investing activities		(1,150)	(2,150)
Financing Activities			
Proceeds from share options exercised		79	–
Payment for share buyback		(989)	–
Proceeds from bank borrowings		42,645	159,541
Repayment of bank borrowings		(41,503)	(169,588)
Repayment of obligations under finance leases		(117)	(173)
Dividends paid		(3,799)	(5,699)
Net cash used in financing activities		(3,684)	(15,919)
Net decrease in cash and cash equivalents		(4,243)	(16,819)
Net effect of currency translation differences		(1,114)	(1,528)
Cash and cash equivalents at 1 January	20	50,383	68,730
Cash and cash equivalents at 31 December	20	45,026	50,383

* The Group acquired property, plant and equipment with an aggregate cost of approximately US$832,000 (2015: US$1,773,000), and did not acquire any property, plant and equipment by means of finance leases (2015: US$14,000). Cash payment of US$832,000 (2015: US$1,759,000) was made to purchase property, plant and equipment.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to Financial Statements

Year ended 31 December 2016

1. CORPORATE INFORMATION

The Company (Registration number 35127) is a limited company incorporated in Bermuda and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and the principal place of business of the Company is located at Room 06 - 10, 11th Floor, CCT Telecom Building, 11 Wo Shing Street, Fo Tan, Shatin, New Territories, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in note 13 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION - The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with IFRSs.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars ("US$") and all values in the tables are rounded to the nearest thousand (US$'000), except when otherwise indicated.

CHANGES IN ACCOUNTING POLICIES - The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	*Amendments to a number of IFRSs*

The adoption of these revised standards has had no material effect on these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

STANDARDS ISSUED BUT NOT YET EFFECTIVE - The Group has not adopted the following new/revised standards and amendments 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*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10, and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] No mandatory effect date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

BASIS OF CONSOLIDATION - The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF CONSOLIDATION (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

BUSINESS COMBINATION AND GOODWILL - Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUSINESS COMBINATION AND GOODWILL (continued)

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

TRANSACTIONS WITH NON-CONTROLLING INTERESTS - Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

FOREIGN CURRENCY - The Group's consolidated financial statements are presented in US$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into US$ at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

PROPERTY, PLANT AND EQUIPMENT - All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation is charged so as to write off the cost of assets less estimated residual values over their estimated useful lives, using the straight-line method, on the following bases:

	Depreciation rate	Residual value
Buildings	5%	10%
Plant and machinery	10% to 20%	Nil to 10%
Furniture, fixtures and equipment	12.5% to 33%	Nil to 10%
Leasehold improvements	12.5% to 33%	Nil
Motor vehicles	20% to 25%	Nil

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful live and the depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

INTANGIBLE ASSETS - Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development.

Following initial recognition of the deferred development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use. Deferred development costs have a finite useful life and are amortised over the period of expected sales from the related project on a straight line basis.

IMPAIRMENT OF NON-FINANCIAL ASSETS - The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

SUBSIDIARIES - A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

INVESTMENT IN AN ASSOCIATE - An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENT IN AN ASSOCIATE (continued)

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

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

FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL ASSETS (continued)

Subsequent measurement (continued)

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are de-recognised or impaired, and through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS - The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of the impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost had been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment includes (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

Available-for-sale financial assets (continued)

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment is recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

CASH AND CASH EQUIVALENTS - Cash and cash equivalents comprise cash at banks and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

Raw materials : purchase costs on a first-in first-out basis.

Finished goods and work-in-progress : costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged, or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

OFFSETTING OF FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

TRANSFERS BETWEEN LEVELS OF THE FAIR VALUE HIERARCHY – Transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BORROWING COSTS - Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

EMPLOYMENT BENEFITS - Employment benefits represent defined contribution plans operating in Hong Kong, the People's Republic of China ("PRC") and Japan, a defined retirement benefit plan operating in Japan for its directors, annual leave and share-based payments to employees.

Defined contribution plans

Subsidiaries in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the subsidiaries in an independently administered fund.

Employees of the subsidiaries which operate in the PRC are required to participate in a pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the pension scheme.

A subsidiary in Japan maintains a defined contribution plan for all eligible employees with at least three years of service. Under the defined contribution plans, the subsidiary generally makes annual contributions to participants' accounts based on individual years of services.

Defined retirement benefit plan

The subsidiary in Japan also maintains an unfunded defined retirement benefit plan for its directors. The retirement benefit obligations recognised in the statement of financial position represent the present value of the defined benefit obligation.

Annual leave

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

Share-based payments

The Group issues equity-settled share-based payments to the Group's employee and directors. Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 25(b) and 25(c). The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES

As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

REVENUE RECOGNITION - Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Sale of goods

Revenue from the sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Interest income

Interest income is recognised using the effective interest method.

INCOME TAXES - Income tax expense represents the sum of the current tax and deferred tax.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAXES (continued)

Deferred tax

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

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

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

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

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

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

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business is adjusted against goodwill on acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAXES (continued)

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

SEGMENT REPORTING - For management purposes, the Group is organised into operating segments based on products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in note 34, including the factors used to identify the reportable segments and the measurement basis of segment information.

TREASURY SHARES - Own equity instruments, which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

RELATED PARTIES - A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RELATED PARTIES (continued)

(b) the party is an entity where any of the following conditions applies: (continued)

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

FINANCIAL INSTRUMENTS - The Group enters into a variety of financial instruments to manage its exposure to foreign currency risk, including forward foreign exchange contracts and foreign currency options contracts.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency options contracts and forward foreign exchange contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Derivative financial instruments (continued)

Current versus non-current classification (continued)

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. The judgements, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made in applying the Group's accounting policies

Management is of the view that apart from those involving estimates as set out below in the note of key sources of estimation uncertainty, it has made no critical judgement in the process of applying the Group's accounting policies that would have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below.

Allowance for inventories

In determining the net realisable value of the Group's inventories, management estimated the recoverable amount of inventories based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration the fluctuations in price, the balance on hand relative to sales prospects and the condition of the inventories. The allowances for inventories as at 31 December 2016 amounted to US$1,120,000 (2015: US$1,683,000). The carrying amount of inventories is disclosed in note 17 to the financial statements.

Impairment of investments in subsidiaries

Where there are indicators of potential impairment of investments in subsidiaries, management projects the cash flows of these subsidiaries and estimates the recoverable amount by discounting the projected cash flows and terminal value to present value. Any change in such projections and estimates can result in changes to the allowance for impairment loss in future periods. The carrying amount of the investments in subsidiaries of the Company is disclosed in note 13 to the financial statements. No impairment loss was recognised for the years ended 31 December 2016 and 2015.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

Impairment of investment in an associate

Where there are indicators of potential impairment of investment in an associate, management projects the cash flows of this associate and estimates the recoverable amount by discounting the projected cash flows and terminal value to present value. Any change in such projections and estimates can result in changes to the allowance for impairment loss in future periods. The carrying amount of the investment in an associate of the Group is disclosed in note 14 to the financial statements. At 31 December 2016, impairment loss of US$360,000 (2015: Nil) has been recognised for investment in an associate. The carrying amount of investment in an associate was US$1,413,000 (2015: US$2,161,000).

Impairment of property, plant and equipment

The Group assesses impairment on the property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Such assessment requires management's judgements in forecasting industry trends, general market, economic conditions and other available information. The carrying amount of the property, plant and equipment is disclosed in note 11 to the financial statements. No impairment loss was recognised for the years ended 31 December 2016 and 2015.

Impairment of available-for-sale investments

The Group classifies certain assets as available-for-sale investments and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in profit or loss. The carrying amount of the available-for-sale investments is disclosed in note 15 to the financial statements. At 31 December 2016, impairment loss of US$83,000 (2015: Nil) has been recognised for available-for-sale investments in unquoted equity securities. The carrying amount of available-for-sale investments was US$926,000 (2015: US$41,000).

4. REVENUE

Revenue comprises the sales of products at invoiced value, net of discounts and sales returns.

5. OTHER INCOME

	Group	
	2016	**2015**
	US$'000	**US$'000**
Reclassification adjustment arising from the liquidation of a subsidiary	–	4,937
Interest income	758	1,323
Gain on disposal of scrap materials	96	141
Net gain on disposal of property, plant and equipment	–	16
Sundry income	130	168
	984	6,585

6. ADMINISTRATIVE EXPENSES

	Group	
	2016	2015
	US$'000	US$'000
Employee-related expenses	13,031	14,837
Travelling and entertainment expenses	1,602	1,664
Professional fees	1,395	1,341
Utilities and office expenses	1,065	1,091
Rental expenses	1,363	1,048
Depreciation of property, plant and equipment	436	427
Change in fair value of held for trading investments	82	108
Net loss on disposal of held for trading investments	–	23
Net loss on disposal of property, plant and equipment	23	–
Net loss on redemption of held-to-maturity investment	206	–
Net foreign exchange loss	526	222
Miscellaneous	554	87
	20,283	20,848

7. FINANCE COSTS

	Group	
	2016	2015
	US$'000	US$'000
Interest expenses on:		
Bank borrowings	86	153
Obligations under finance leases	3	8
	89	161

8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging/(crediting):

	Group	
	2016	2015
	US$'000	US$'000
Audit fees paid to:		
Auditor of the Company	178	184
Other auditors	256	272
Non-audit fees paid to:		
Auditors of the Company	–	–
Other auditors	8	8
Employee benefit expenses (Note 25)	24,474	30,288
Depreciation of property, plant and equipment (Note 11)	1,790	2,014
(Decrease)/Increase in allowance for inventories (Note 17)	(517)	641
Inventories recognised as an expense in cost of sales (Note 17)	78,499	91,443
Net loss/(gain) on disposal of property, plant and equipment	23	(16)
Net foreign exchange loss	526	222
Changes in fair value of derivative financial instruments (Note 19)	(40)	(75)
Changes in fair value of held for trading investments (Note 15(e))	82	108
Net loss on disposal of held for trading investments (Note 15(e))	–	23
Reclassification adjustment arising from the liquidation of a subsidiary	–	(4,937)
Impairment loss of investment in an associate (Note 14)	360	–
Impairment loss of available-for-sale investments (Note 15(b))	83	–

9. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

	Group	
	2016	2015
	US$'000	US$'000
Current income tax	2,822	2,078
Deferred tax (Note 26)	(187)	15
	2,635	2,093

9. INCOME TAX EXPENSE (continued)

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rates for the years ended 31 December 2016 and 2015 are as follows:

	Group	
	2016 US$'000	2015 US$'000
Profit before tax	3,038	10,027
Tax at the domestic rates applicable to profits in the countries where the Group operates	1,035	1,692
Adjustments:		
Non-deductible expenses	1,057	755
Income not subject to taxation	(180)	(1,455)
Tax losses not recognised	940	415
Effect of capital gain tax on the liquidation of a subsidiary	–	493
Effect of withholding tax at 5% on the undistributed earnings of the PRC subsidiaries (Note 26)	(217)	193
Income tax expense recognised in profit or loss	2,635	2,093

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

10. EARNINGS PER SHARE

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

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

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

	Group	
	2016 US$'000	2015 US$'000
Profit attributable to owners of the Company	403	7,935

10. EARNINGS PER SHARE (continued)

	Number of shares '000	Number of shares '000 (Restated)**
Weighted average number of ordinary shares for the basic earnings per share computation*	237,266	237,457
Effect of dilutive share options	1,891	3,918
Weighted average number of ordinary shares for the diluted earnings per share computation*	239,157	241,375

* The weighted average number of ordinary shares for basic and diluted earnings per share excludes treasury shares which had been purchased on the SGX-ST under the Shares Purchase Mandate (Note 27(b)).

** On 26 August 2016, the Company consolidated every two (2) existing ordinary shares of par value of US$0.02 each in the authorised and issued capital of the Company into one (1) consolidated share of par value of US$0.04 in the authorised and issued capital of the Company. The weighted average number of ordinary shares for the comparative period has been restated to reflect the share consolidation. Before the share consolidation, the earnings per share and the weighted average number of ordinary shares of the Group were as follows:

	Year ended 31 December 2015
Earnings per share (US cents)	
- Basic	1.67
- Diluted*	1.64

	Number of shares '000
Weighted average number of ordinary shares for the basic earnings per share computation*	474,914
Effect of dilutive share options	7,835
Weighted average number of ordinary shares for diluted earnings per share computation*	482,749

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings US$'000	Plant and machinery US$'000	Furniture, fixtures and equipment US$'000	Leasehold improvements US$'000	Motor vehicles US$'000	Total US$'000
GROUP						
Cost						
At 1 January 2015	2,070	13,174	3,926	8,270	1,026	28,466
Additions	79	447	108	1,042	97	1,773
Disposals	–	(26)	(442)	–	(160)	(628)
Exchange differences	(37)	(550)	(104)	(420)	(38)	(1,149)
At 31 December 2015 and 1 January 2016	2,112	13,045	3,488	8,892	925	28,462
Additions	–	519	59	254	–	832
Disposals	–	(200)	(606)	(718)	(19)	(1,543)
Exchange differences	51	(634)	(90)	(425)	(36)	(1,134)
At 31 December 2016	2,163	12,730	2,851	8,003	870	26,617
Accumulated depreciation and impairment loss						
At 1 January 2015	440	8,958	3,193	6,316	605	19,512
Depreciation	43	1,203	224	383	161	2,014
Disposals	–	(24)	(426)	–	(149)	(599)
Exchange differences	(11)	(372)	(88)	(306)	(25)	(802)
At 31 December 2015 and 1 January 2016	472	9,765	2,903	6,393	592	20,125
Depreciation	46	964	172	482	126	1,790
Disposals	–	(182)	(598)	(718)	(16)	(1,514)
Exchange differences	2	(450)	(78)	(315)	(31)	(872)
At 31 December 2016	520	10,097	2,399	5,842	671	19,529
Net carrying amount						
At 31 December 2015	1,640	3,280	585	2,499	333	8,337
At 31 December 2016	1,643	2,633	452	2,161	199	7,088

Assets held under finance leases

The carrying amount of the Group's plant and equipment held under finance leases at the end of the year was US$56,000 (2015: US$171,000).

Leased assets are pledged as security for the related finance lease liabilities.

12. PREPAYMENT FOR THE ACQUISITION OF INTANGIBLE ASSET

	Group	
	2016	2015
	US$'000	US$'000
Prepayment	970	–

Prepayment for the acquisition of the intangible asset amounting to US$970,000 (2015: Nil) represents an advance payment for the application of research result related to biotech products and their related patents.

13. INVESTMENTS IN SUBSIDIARIES

(a)

	Company	
	2016	2015
	US$'000	US$'000
Unquoted equity shares, at cost	9,700	9,700
Recognition of share-based payments	1,634	1,634
	11,334	11,334

(b) The amount due from a subsidiary included in the Company's non-current assets of US$16,653,000 (2015: US$16,932,000) is unsecured, bears interest at 2% (2015: 2%) per annum and is not repayable within 12 months from the end of the reporting period.

Management considered the fair value of the amount due from a subsidiary is US$16,653,000.

(c) Details of the Company's subsidiaries are as follows:

Name	Place of incorporation/ establishment	Principal activities	Proportion of ownership interest	
			2016	2015
			%	%
Held by the Company				
Tomoike Industrial (Hong Kong) Holding Limited (i) ("TM Hong Kong BVI")	British Virgin Islands ("BVI")	Investment holding	100	100
Held by TM Hong Kong BVI				
Tomoike Industrial (H.K.) Limited (ii) ("TM Hong Kong")	Hong Kong	Trading of parts and precision accessories for office equipment, electrical appliances and LCD modules, and LCD backlight units for LCD modules	100	100

13. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Details of the Company's subsidiaries are as follows: (continued)

Name	Place of incorporation/ establishment	Principal activities	Proportion of ownership interest	
			2016	2015
			%	%
Held by TM Hong Kong				
Tomoike Electronics (Shanghai) Co., Limited (ii) ("TM Pudong")	Shanghai, PRC	Manufacture and trading of parts and precision accessories for LCD modules	100	100
Tomoike Precision Machinery (Shanghai) Co., Limited (ii) ("TM Shanghai")	Shanghai, PRC	Manufacture and trading of parts and precision accessories for office equipment and electrical appliances	100	100
Tomoike Industrial Co., Limited (i) ("TM Japan")	Osaka, Japan	Manufacture of LCD backlight units for LCD modules, manufacture and trading of parts and precision accessories for office equipment, electrical appliances and LCD modules	99.9	99.9
Crystal Display (Shanghai) Holding Limited (i) ("CD Shanghai BVI")	BVI	Investment holding	100	100
Wah Hang Precision Machinery (H.K.) Limited (ii) ("WH Hong Kong")	Hong Kong	Investment holding	100	100
S.M.T. Assembly Limited (ii) ("SMT Hong Kong")	Hong Kong	Provision of surface mounting technique services in electronic product assembly	100	100
Minami Tec (Wuxi) Co., Limited (ii) ("MT Wuxi")	Wuxi, PRC	Provision of plastic injection for electronic consumer products and automobiles	100	100
Crystal Display Components (Shanghai) Co., Limited (ii) ("CD Shanghai")	Shanghai, PRC	Manufacture of LCD backlight units for LCD modules	100	100

13. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Details of the Company's subsidiaries are as follows: (continued)

Name	Place of incorporation/ establishment	Principal activities	Proportion of ownership interest 2016 %	Proportion of ownership interest 2015 %
Held by TM Hong Kong (continued)				
Tomoike Precision Machinery (Dongguan) Co., Limited (ii) ("TM Dongguan")	Dongguan, PRC	Manufacture and trading of parts and precision accessories for LCD modules and manufacture of LCD backlight units for LCD modules	100	100
Guru Guru Limited (ii) ("Guru Guru")	Hong Kong	General trading	100	100
Tomoike (Shanghai) Agriculture Technology Co., Limited (ii)(iii) ("TAT Shanghai")	Shanghai, PRC	Provision of agriculture product management and advisory services	100	–
Held by TM Hong Kong and Guru Guru				
Bangladesh Japan Cooperation Company Limited (i)(iii) ("BJ Cooperation")	Bangladesh	Liaison office, general trading and other businesses	100	–
Held by WH Hong Kong				
Wah Hang Precision Machinery (Dongguan) Limited (ii) ("WH Dongguan")	Dongguan, PRC	Manufacture and trading of parts and precision accessories for office equipment and electrical appliances	100	100
Held by SMT Hong Kong				
Dongguan Dali S.M.T. Assembly Limited (ii) ("SMT Dongguan")	Dongguan, PRC	Provision of surface mounting technique services in electronic product assembly	100	100
Held by TM Shanghai				
Shanghai Gu Chang Yu Printing Technology Co., Limited (ii) ("GCY Shanghai")	Shanghai, PRC	Provision of label printing services	100	100

13. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Details of the Company's subsidiaries are as follows: (continued)

Name	Place of incorporation/ establishment	Principal activities	Proportion of ownership interest 2016 %	2015 %
Held by TM Japan				
Menkobo Muguruma Co., Limited [i] ("Muguruma")	Kagawa, Japan	Provision of food and beverage	100	100
TWB Co., Limited [i][iii] ("TWB")	Osaka, Japan	Provision of food and beverage	100	–
Held by CD Shanghai				
Tuo Mao Enterprise Management Advisory (Shanghai) Co., Limited [ii][iii] ("TOMO")	Shanghai, PRC	Provision of food and beverage management and advisory services	100	–

(i) Not required to be audited in the country of incorporation but audited for the purpose of incorporation in the consolidated financial statements of the Group by Ernst & Young, Hong Kong or member firms of Ernst & Young Global in the respective countries

(ii) Audited for the purpose of incorporation in the consolidated financial statements of the Group by Ernst & Young, Hong Kong or member firms of Ernst & Young Global in the respective countries

(iii) Incorporated during the financial year

14. INVESTMENT IN AN ASSOCIATE

The Group's investment in an associate is summarised below:

	Group 2016 US$'000	2015 US$'000
Share of net assets	397	675
Goodwill on acquisition	1,486	1,486
	1,883	2,161
Less: Impairment loss	(360)	–
Exchange differences	(110)	–
	1,413	2,161

14. INVESTMENT IN AN ASSOCIATE (continued)

Since the associate has been loss-making for recent years, directors reassessed the recoverable amount of investment in an associate as at 31 December 2016 and 31 December 2015 with reference to value in use calculation as at 31 December 2016 and 31 December 2015 (the "Calculation"). Based on the Calculation, an impairment loss of US$360,000 was recognised in profit or loss for the year ended 31 December 2016 (2015: Nil).

According to the Calculation, the recoverable amount of US$1,413,000 as at 31 December 2016 was derived from the present value of expected future cash flows to be generated from the investment in Suzhou Pengfu. The discount rate applied to the projected cash flows was 13% (2015:13%).

Particulars of the associate are as follows:

Name	Registered Share capital held	Place of incorporation/ establishment	Principal activities	Proportion of ownership interest
Suzhou Pengfu Photoelectric Technology Co., Limited (i) ("Suzhou Pengfu")	RMB 1,080,000	Suzhou, PRC	Manufacture of light guide panels	25%

The Group's shareholding in the associate represents equity shares held by a wholly-owned subsidiary of the Company.

The following table illustrates the aggregate financial information of the Group's associate.

	2016 US$'000	2015 US$'000
Share of the associate's loss for the year	278	156
Share of the associate's total comprehensive expense	278	156
Aggregate carrying amount of the Group's investment in an associate	1,413	2,161

(i) Audited for the purpose of incorporation in the consolidated financial statements of the Group by a member firm of Ernst & Young in the PRC.

15. INVESTMENTS

	Notes	Group 2016 US$'000	Group 2015 US$'000
Non-current:			
Available-for-sale investments:			
Equity securities (quoted), at fair value	(a)	111	41
Equity securities (unquoted), at amortised cost	(b)	815	–
Held-to-maturity investment:			
Funds in a leveraged lease arrangement (unquoted), at amortised cost	(c)	–	980
		926	1,021
Current:			
Loans and receivables, at amortised cost	(d)	1,216	1,216
Held for trading investments:			
Equity securities (quoted), at fair value	(e)	216	262
		1,432	1,478

Notes:

(a) Investment in quoted equity securities offers the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair value of these securities is based on the quoted closing market price on the last market day of the year.

During the year ended 31 December 2016, a gain in fair value of US$63,000 (2015: a loss in fair value of US$42,000) was recorded in other comprehensive incomes.

(b) Investment in unquoted equity securities represents an investment in a Korean company which offers the Group the manufacturing and distribution rights for its products. The directors reassessed the recoverable amount of unquoted equity securities as at 31 December 2016 with reference to value in use calculation as at 31 December 2016 (the "Calculation"). Based on the Calculation, an impairment loss of US$83,000 was recognised in profit or loss for the year ended 31 December 2016.

According to the Calculation, the recoverable amount of US$815,000 as at 31 December 2016 was derived from the present value of expected future cash flows to be generated from the investment in unquoted equity securities. The discount rate applied to the projected cash flows was 13%.

During the year ended 31 December 2015, the Group did not invest in unquoted equity securities.

(c) As at 31 December 2015, the held-to-maturity investment represented the investment of funds in a leveraged lease arrangement entered into by a subsidiary, TM Japan.

TM Japan invested JPY106.6 million (approximately US$0.9 million) in airplane lease operations ("Leveraged Lease Agreement") managed by NBBKite Co., Ltd ("NBKK"). An airplane was purchased by NBKK with borrowed funds and funds provided by investors, including TM Japan. The funds invested by TM Japan are pledged by the airplane and are expected to be returned together with its share of results in the fund from the lease and sale of the airplane upon maturity.

During the year ended 31 December 2016, the held-to-maturity investment was redeemed. A loss on redemption of the held-to-maturity investment of US$206,000 was recorded in profit or loss.

15. INVESTMENTS (continued)

Notes: (continued)

(d) During the years ended 31 December 2016 and 2015, a subsidiary of the Company, TM Hong Kong, entered into a secured trade finance agreement with a third party for a maximum amount of US$2 million at an interest rate of 1% per month. The secured trade finance agreement was pledged by three residential properties located in Hong Kong. As at 31 December 2016, TM Hong Kong advanced US$1,216,000 (2015: US$1,216,000) to a third party for a period not more than 6 months. Management considered the fair value of this advance is US$1,216,000.

(e) The held for trading investments represented the quoted equity securities acquired for the purpose of selling or repurchasing in the near term. During the year ended 31 December 2016, a loss in fair value of US$82,000 (2015: US$108,000) was recorded in profit or loss. And, there was no disposal for the year (2015: loss on disposal of US$23,000).

The Group's investments denominated in foreign currency of the respective entities at 31 December are as follows:

	Group	
	2016	**2015**
	US$'000	**US$'000**
US$	2,031	1,216

16. OTHER ASSETS

	Group	
	2016	**2015**
	US$'000	**US$'000**
Directors' insurance	137	182
Rental deposits	386	386
	523	568

Directors' insurance represents the surrender values of an insurance policy taken by TM Japan, a subsidiary of the Company. Under the policy, TM Japan pays premiums, expenses a portion of such payments and records a recoverable amount approximating the surrender values of the insurance policy. On maturity of the insurance policy, the payouts by the insurance company will be retained by TM Japan. Payouts by the insurance company on any death claims during the insured period will be made to TM Japan.

17. INVENTORIES

	Group	
	2016	2015
	US$'000	US$'000
Consolidated statement of financial position:		
Raw materials	1,974	2,572
Work-in-progress	415	508
Finished goods	3,842	4,209
	6,231	7,289
Consolidated statement of profit or loss:		
Inventories recognised as an expense in cost of sales	78,499	91,443
Inclusive of the (decrease)/increase in allowances for inventories	(517)	641

Allowances for inventories are made in full for the inventories with poor sales prospects.

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	US$'000	US$'000	US$'000	US$'000
Trade receivables	17,400	14,906	–	–
Other receivables	723	965	88	–
Prepayments	1,062	916	9	36
Value–added tax recoverable	309	327	–	–
Deposits	239	171	–	–
	19,733	17,285	97	36

Trade receivables

Trade receivables are non-interest-bearing and are generally on terms of 60 days (2015: 60 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The Group's trade and other receivables denominated in foreign currencies of the respective entities at 31 December are as follows:

	Group	
	2016	2015
	US$'000	US$'000
Japanese Yen ("JPY")	819	936
US$	12,276	11,444
Renminbi ("RMB")	15	74
Singapore Dollars ("SG$")	87	8

18. TRADE AND OTHER RECEIVABLES (continued)

The Group has trade receivables amounting to US$790,000 (2015: US$1,370,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and their aging analysis at the end of the reporting period are as follows:

	Group	
	2016	2015
	US$'000	US$'000
Trade receivables past due but not impaired:		
Less than 30 days overdue	555	619
30 to 60 days overdue	90	80
Over 60 days overdue	145	671
	790	1,370

19. DERIVATIVE FINANCIAL INSTRUMENTS

	Group					
	2016			2015		
	Contract amount	Assets	Liabilities	Contract amount	Assets	Liabilities
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Foreign currency options contracts	544	38	–	–	–	–

The Group entered into foreign currency options contracts with banks to manage its foreign exchange exposures. Under the contracts, the Group has the option to buy HKD with US$ and buy US$ with JPY (2015: buy RMB with US$) at a fixed rate and similarly, the banks have the option to buy US$ with HKD and buy JPY with US$ (2015: buy US$ with RMB) at the same rate. In 2016, the foreign currency options contract have maturity dates from February 2016 to January 2017 (2015: from October 2014 to September 2015).

Change in fair value of the foreign currency options contracts amounting to US$40,000 (2015: US$75,000) had been credited to profit or loss.

20. CASH AND BANK BALANCES

	Group		Company	
	2016	2015	2016	2015
	US$'000	US$'000	US$'000	US$'000
Cash at banks and on hand	23,569	27,804	272	70
Short-term deposits	21,603	22,725	–	–
	45,172	50,529	272	70
Less: pledged bank deposit	(146)	(146)	–	–
	45,026	50,383	272	70

20. CASH AND BANK BALANCES (continued)

Cash and bank balances comprise cash held by the Group and the Company and short-term bank deposits with an original maturity of three months or less.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between 7 days and 90 days, depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate as at 31 December 2016 for the Group was 2.07% (2015: 2.45%) per annum.

A fixed deposit of US$146,000 (2015: US$146,000) was placed as security for banking facilities. This fixed deposit earns an average interest rate of 0.54% (2015: 0.40%) per annum and will mature in 9 months (2015: 9 months) after the end of the reporting period.

The Group's cash and bank balances denominated in foreign currencies of the respective entities at 31 December are as follows:

	Group	
	2016	**2015**
	US$'000	**US$'000**
JPY	1,043	273
US$	16,239	18,224
RMB	17,995	15,328
SG$	172	56

21. GOODWILL

	Group
	US$'000
Cost	
At 1 January 2015, 31 December 2015 and 31 December 2016	1,516
Accumulated impairment	
At 1 January 2015, 31 December 2015 and 31 December 2016	(1,516)
Net carrying amount	
31 December 2015 and 31 December 2016	–

Goodwill acquired in a business combination is allocated, on acquisition, to a cash-generating unit ("CGU") that is expected to benefit from that business combination. The carrying amount of goodwill is allocated to the subsidiary, Tomoike Industrial Co., Limited ("TM Japan"), as a single CGU.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

21. GOODWILL (continued)

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period that cash flow forecasts are made. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past experience and expectations of future changes in the market.

During the year ended 31 December 2011, due to the operation in Japan undergoing an internal restructuring and downsizing in its manufacturing capacity, goodwill arising from the acquisition of TM Japan was fully impaired.

22. BANK BORROWINGS

		Group	
	Maturity	**2016**	**2015**
		US$'000	**US$'000**
Current:			
Bank borrowings, unsecured	2017	5,298	3,613
Non-current:			
Bank borrowings, unsecured	2018	716	1,282
Total bank borrowings		6,014	4,895

The bank borrowings are unsecured and bear interest at rates ranging from 0.28% to 2.20% (2015: 0.67% to 2.20%) per annum.

Bank borrowings amounting to US$3,431,000 (2015: US$540,000) are unsecured and carry variable interest rates quoted by the banks with reference to their cost of fund.

Bank borrowings amounting to US$2,583,000 (2015: US$4,355,000) are unsecured and carry fixed interest rates.

Management considered the fair value of the Group's fixed rate bank borrowings is US$2,579,000.

The Group's bank borrowings denominated in foreign currency of the respective entities as at 31 December are as follows:

	Group	
	2016	**2015**
	US$'000	**US$'000**
US$	4,123	3,800

23. FINANCE LEASES

The Group leases certain of its plant and equipment under finance leases and have remaining lease terms ranging from one to five years.

At the end of each reporting period, the total future minimum lease payments under finance leases and their present values are as follows:

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	2016	2015
	US$'000	US$'000	US$'000	US$'000
Amounts payable:				
Within one year	66	118	65	115
In the second to fifth years, inclusive	16	81	16	80
	82	199	81	195
Less: Future finance charges	(1)	(4)		
Present value of lease obligations	81	195		
Portion classified as current liabilities	(65)	(115)		
Non-current portion	16	80		

The borrowing rates ranged from 1.50% to 2.60% (2015: 1.50% to 2.60%) per annum. Interest rates are fixed at the contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Management considered the fair value of the Group's obligations under finance leases is US$81,000.

The Group's obligations under finance leases are secured by the lessors' titles to the leased assets (Note 11).

The Group's finance leases denominated in foreign currency of the respective entities at 31 December are as follows:

	Group	
	2016	2015
	US$'000	US$'000
US$	48	144

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	US$'000	US$'000	US$'000	US$'000
Trade payables	11,494	12,441	–	–
Other payables	2,593	2,653	204	94
Accruals	1,461	1,683	78	–
	15,548	16,777	282	94

Trade payables

Trade payables are non-interest-bearing and are generally settled on terms of 30 to 120 days (2015: 30 to 120 days).

The Group's trade and other payables denominated in foreign currencies of the respective entities at 31 December are as follows:

	Group	
	2016	2015
	US$'000	US$'000
JPY	352	856
US$	5,659	6,330
RMB	69	99

25. EMPLOYEE BENEFITS

		Group	
		2016	2015
		US$'000	US$'000
Employee benefit expenses, including directors:			
Salaries and bonuses		21,745	26,769
Defined contribution plans		2,672	3,734
Defined retirement benefit plan	(a)	57	(215)
		24,474	30,288

(a) Retirement benefit obligations

TM Japan maintains an unfunded defined retirement benefit plan for its directors. The amount for the year amounting to approximately US$57,000 (2015: US$215,000 credited to profit or loss) has been charged to profit or loss. The retirement benefit obligations with a carrying amount of US$347,000 (2015: US$411,000) at year end represents the present value of the defined retirement benefit plan.

Management is of the view that as the retirement benefit obligation is not significant, and the required disclosures under IAS 19 *Employee Benefits* are not necessary.

25. EMPLOYEE BENEFITS (continued)

(b) Share-based payments – Share options

The Company has a share option scheme, CDW Employees' Share Option Scheme 2013 (the "2013 Scheme"), for all employees and directors of the Group. This option scheme is administrated by the committee comprising three directors who are the members of the Remuneration Committee ("RC"). Options are exercisable at a price based on the average of the closing prices for the shares of the Company on the SGX-ST for the five market days preceding the date of grant (the "Market Price") with a vesting period of one year from the date of grant. The committee may at its discretion fix the exercise price at a discount not exceeding 20% of the Market price with a vesting period of two years from the date of grant. If the options remain unexercised after a period of five years from the date of grant, the options expire. Options are forfeited if an employee leaves the Group before the options vest.

Information about share-based payment arrangements is as follows:

Option series	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
	(Note)			(Note)	(Note)
<u>2013 Scheme</u>					
Issued on 30 May 2014	8,500,000	30 May 2014	29 May 2019	SG$0.216	US$0.08

The following reconciles the outstanding share options granted under the 2013 Scheme at the beginning and end of the financial year:

	Group and Company							
Date of grant	Balance at beginning of financial year	Cancelled/ lapsed	Share consolidation (2:1)	Granted	Exercised	Balance at the end of financial year	Exercise price per share	Exercisable period
			(Note)		(Note)	(Note)	(Note)	
<u>2013 Scheme</u>								
30 May 2014	19,000,000	(1,000,000)	(9,000,000)	–	(500,000)	8,500,000	SG$0.216	30 May 2016 to 29 May 2019

Note: On 26 August 2016, the Company consolidated every two (2) existing ordinary shares of par value of US$0.02 each in the authorised and issued capital of the Company into one (1) ordinary share of par value of US$0.04 each in the authorised and issued capital of the Company.

As at 31 December 2016, the number of share options amounted to 8,500,000 (2015: 19,000,000) which had a weighted average remaining contractual life of approximately 2.4 and 3.4 years respectively.

The fair value of the share options granted under the 2013 Scheme is estimated at the grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the share options were granted.

25. EMPLOYEE BENEFITS (continued)

(b) Share-based payments – Share options (continued)

The inputs into the model were as follows:

	2013 Scheme
Dividend yield (%)	10.45
Expected volatility (%)	62.66
Risk-free interest rate (%)	1.30
Expected life of option (year)	5
Weighted average exercise price (Singapore cents)	10.8
Weighted average share price on date of grant (Singapore cents)	13.4
Early Exercise Behaviour	208% or 187% of the exercise price

For 2013 Scheme, the expected volatility was determined by calculating the historical volatility of the Company's share price from 1 June 2009 to 30 May 2014. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

For the year ended 31 December 2016, the Group recognised an equity-settled share-based payment expense of US$101,000 (2015: US$332,000).

(c) Share-based payments – Share performance

The Company has a share performance scheme, CDW Share Performance Scheme (the "Performance Scheme"), for all employees and directors of the Group. The Performance Scheme is administrated by the committee comprising three directors who are the members of RC. An award granted under the Performance Scheme represents the right to receive fully paid shares of the Company free of charge, upon the Group's employees and directors achieving the prescribed performance conditions (the "Award") as set out in the relevant award approved by the committee at its absolute discretion. Awards are forfeited if the employee leaves the Group before the reward vests. During the years ended 31 December 2016 and 2015, no Awards were granted to any employees and directors under the Performance Scheme.

26. DEFERRED TAX

	Group			
	Consolidated statement of financial position		Consolidated statement of profit or loss	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Deferred tax liabilities				
Difference in depreciation for tax purposes	(20)	(27)	8	12
Temporary difference relating to held-to-maturity investment	–	(308)	340	77
Directors' insurance	(17)	(30)	16	(8)
Retirement benefit obligations	91	172	(94)	(78)
Withholding tax on undistributed earnings of the PRC subsidiaries (Note 9)	(304)	(521)	217	(193)
Unutilised tax losses	–	175	(175)	175
Others	73	187	(125)	–
	(177)	(352)		
Deferred tax expense (Note 9)			187	(15)

Withholding tax on undistributed earnings of the PRC subsidiaries

Pursuant to the Corporate Income Tax ("CIT") Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate of 5% may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by its subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The applicable withholding tax rate of the Group was 5% during the year ended 31 December 2016 (2015: 5%).

Unrecognised tax losses

At the end of the reporting period, the Group had tax losses of approximately US$5,938,000 (2015: US$1,633,000) that are available for offsetting against future taxable profits of the companies in which the losses arose, for which no deferred tax assets are recognised for these losses due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Tax consequences of proposed dividends

There are no income tax consequences (2015: Nil) attached to the dividends to the shareholders proposed by the Company that are recognised as liabilities in the financial statements (Note 35).

27. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	2016		2015 (restated)	
	Number of ordinary shares	US$	Number of ordinary shares	US$
Authorised				
At beginning and end of the year	1,500,000,000	30,000,000	1,500,000,000	30,000,000
Issued and fully paid up				
At beginning and end of the year	252,177,110	10,087,000	252,177,110	10,087,000

On 26 August 2016, the Company consolidated every two (2) existing ordinary shares of par value of US$0.02 each in the authorised and issued capital of the Company into one (1) ordinary share of par value of US$0.04 in the authorised and issued capital of the Company. Number of ordinary shares for the comparative period has been restated to reflect the share consolidation. Before the share consolidation, the Group and Company's issued and fully paid up share capital was US$10,087,000 represented by 474,914,221 ordinary shares (excluding treasury shares) and 29,440,000 treasury shares.

As at 31 December 2016, 19,947,102 (2015 (restated): 14,720,002) of ordinary shares included in the above shares had been purchased on the SGX-ST under the Shares Purchase Mandate and held in treasury shares.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. Each ordinary share carries one vote without restrictions.

The Company has one employee share option scheme under which options to subscribe for the Company's ordinary shares have been granted to employees of the Group.

(b) Treasury shares

	Group and Company			
	2016		2015	
	Number of ordinary shares '000	US$'000	Number of ordinary shares '000	US$'000
At 1 January	29,440	2,061	29,440	2,061
Consolidation of ordinary shares held in treasury shares	(14,720)	–	–	–
Treasury shares transferred out to satisfy share options exercised	(500)	(70)	–	–
Shares purchased under Shares Purchase Mandate and held in treasury share	5,727	989	–	–
At 31 December	19,947	2,980	29,440	2,061

Treasury shares relate to ordinary shares of the Company that are held by the Company.

28. MERGER RESERVE, STATUTORY RESERVE FUND, ENTERPRISE EXPANSION FUND, OTHER RESERVES, FAIR VALUE ADJUSTMENT RESERVE AND FOREIGN CURRENCY TRANSLATION RESERVE

Merger reserve

Merger reserve represents the difference between the combined share capital of the entities in the merged Group and the capital of the Company arising from a restructuring exercise undertaken in 2005.

Statutory Reserve Fund

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

Enterprise Expansion Fund

The Enterprise Expansion Fund can be used for business expansion or conversion into capital, provided that such conversion is approved by a resolution at a shareholders' meeting.

The amount of the profit after tax to be transferred to the Enterprise Expansion Fund is determined by the board of directors of the PRC subsidiaries or the articles of associations of the PRC subsidiaries.

Other reserves

Other reserves represent the staff welfare fund appropriated from retained earnings at a discretionary percentage of profit after tax for the year.

Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale investment until they are disposed of or impaired.

Foreign currency translation reserve

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into US$ are brought to account by recognising those exchange differences in other comprehensive income and accumulating them under foreign currency translation reserve.

29. RELATED PARTY TRANSACTIONS

Compensation of directors and key management personnel

	Group	
	2016	2015
	US$'000	US$'000
Salaries, allowances and benefits in kind	1,981	1,902
Defined contribution plans	36	28
Share-based payments – share options	87	192
	2,104	2,122
Comprise amounts paid to:		
Directors of the Company	1,021	1,283
Other key management personnel	1,083	839
	2,104	2,122

The remuneration of directors and key management personnel is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

30. COMMITMENTS

Operating lease commitments – as lessee

The Group has entered into commercial leases on certain offices, factory properties and apartments. These leases have an average term of between one and five years with no renewal option and there is no contingent rent provision included in the contracts.

Minimum lease payments, recognised as an expense in profit or loss for the year ended 31 December 2016, amounted to US$2,636,000 (2015: US$2,727,000).

Future minimum rental payables under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2016	2015
	US$'000	US$'000
Not later than one year	1,845	1,546
Later than one year but not later than five years	2,441	1,883
	4,286	3,429

31. FAIR VALUES OF ASSETS AND LIABILITIES

Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – Unobservable inputs for the asset or liability

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	2016			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
	US$'000	US$'000	US$'000	US$'000
Group				
Assets measured at fair value				
Financial assets:				
Available-for-sale financial assets (Note 15)				
Equity securities (quoted)	111	–	–	111
Held for trading financial assets (Note 15)				
Equity securities (quoted)	216	–	–	216
Derivative financial instruments (Note 19)				
Foreign currency options contracts	–	38	–	38
Financial assets as at 31 December 2016	327	38	–	365

31. FAIR VALUES OF ASSETS AND LIABILITIES (continued)

Assets and liabilities measured at fair value (continued)

	2015 Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
	US$'000	US$'000	US$'000	US$'000
Group				
Assets measured at fair value				
Financial assets:				
Available-for-sale financial assets (Note 15)				
Equity securities (quoted)	41	–	–	41
Held for trading financial assets (Note 15)				
Equity securities (quoted)	262	–	–	262
Financial assets as at 31 December 2015	303	–	–	303

Level 2 fair value measurement

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivative financial instruments

Foreign currency options contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

Level 3 fair value measurement

The Group has no financial assets or liabilities that are categorised within Level 3 of the fair value hierarchy.

31. FAIR VALUES OF ASSETS AND LIABILITIES (continued)

Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the Group's and the Company's assets and liabilities not measured at fair value at 31 December 2016 and 2015 but for which fair value is disclosed:

	2016 Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical instruments (Level 1) US$'000	Significant observable inputs other than quoted prices (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000	Carrying amount US$'000
Group					
Assets					
Available-for-sale financial assets (Note 15)					
Equity securities (unquoted)	–	–	815	815	815
Loans and receivables	–	–	1,216	1,216	1,216
Liabilities					
Fixed rate bank borrowings	–	2,579	–	2,579	2,583
Obligations under finance leases	–	81	–	81	81

	2015 Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical instruments (Level 1) US$'000	Significant observable inputs other than quoted prices (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000	Carrying amount US$'000
Group					
Assets					
Held-to-maturity investment (Note 15)					
Fund in leverage lease arrangement (unquoted)	–	–	980	980	980
Loans and receivables	–	–	1,216	1,216	1,216
Liabilities					
Fixed rate bank borrowings	–	4,507	–	4,507	4,355
Obligations under finance leases	–	194	–	194	195

31. FAIR VALUES OF ASSETS AND LIABILITIES (continued)

Assets and liabilities not carried at fair value but for which fair value is disclosed (continued)

	2016				
	Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying amount
	US$'000	US$'000	US$'000	US$'000	US$'000
Company					
Asset					
Amount due from a subsidiary	–	16,653	–	16,653	16,653

	2015				
	Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying amount
	US$'000	US$'000	US$'000	US$'000	US$'000
Company					
Asset					
Amount due from a subsidiary	–	16,932	–	16,932	16,932

Determination of fair value

Held-to-maturity investment

The fair value as disclosed in the table above is estimated by discounting expected future cash flows at the bank deposit rate in Japan with consideration of realisation of the underlying asset held by the investment fund upon maturity.

Available-for-sale financial assets

The fair value as disclosed in the table above is estimated by assessing the potential effect of using reasonably possible alternatives as inputs to the valuation model and was recorded as a reduction in fair value of approximately US$83,000.

31. FAIR VALUES OF ASSETS AND LIABILITIES (continued)

Assets and liabilities not carried at fair value but for which fair value is disclosed (continued)

Loans and receivables

The fair value as disclosed in the table above is estimated by discounting future cash flows at the market incremental lending rate for similar types of lending with management's estimate of credit risk premium.

Bank borrowings, obligations under finance leases and an amount due from a subsidiary

The fair values as disclosed in the table above are estimated by discounting expected future cash flows at the market incremental lending rate for similar types of borrowings or leasing arrangements at the end of the reporting period. The Group's own non-performance risk for bank borrowings and obligations under finance leases as at 31 December 2016 and 2015 was assessed to be insignificant. The credit risk of the amount due from a subsidiary was considered insignificant.

32. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Financial assets:				
Available-for-sale investments	926	41	–	–
Held-to-maturity investment	–	980	–	–
Held for trading investments	216	262	–	–
Loans and receivables (including cash and cash equivalents)	64,593	67,626	17,013	17,002
At fair value through profit or loss derivative financial instruments	38	–	–	–
Financial liabilities:				
Amortised cost	21,432	21,789	282	94

Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. Management reviews and agrees policies and procedures for the management of these risks. The board of directors provides oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group does not apply hedge accounting.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

32. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investments, cash and short-term deposits), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures as a mean of mitigating the risk of financial loss from defaults. In addition, receivable balances are monitored on an ongoing basis. Therefore, the Group's exposure to bad debts is not significant.

The Group has a few major customers resulting in concentration of credit risk. The top five customers of the Group accounted for approximately 78% (2015: 76%) of the trade receivables as at the end of the reporting period. Management considers the credit risk to be low as these customers are large reputable corporations with good credit history.

An allowance is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Management has evaluated the credit risk relating to outstanding debts at the end of the reporting period and has determined that there is no doubtful amount for which allowance is necessary.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group finances the liquidity through internally generated cash flows and bank and other borrowings (both short-term and long-term with three to five years' term), and to minimise liquidity risk by keeping committed credit lines available with the Group's major banks. The Group's policy is to maintain a low gearing policy and to have sufficient cash and cash equivalents to finance the Group's activities through internally generated cash flows and raising long-term bank and other borrowings. For temporary shortage of fund, the Group will raise short-term bank and other borrowings to meet financial obligations.

At the end of the reporting period, approximately 88% (2015: 74%) of the Group's bank borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

The Group assessed the concentration of risk with respect to refinancing its debts and concluded that such risk is low. Access to sources of funding is sufficiently available and debts maturing within 12 months can be rolled over with existing lenders.

32. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturity

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	31 December 2016				31 December 2015			
	One year or less	One to five years	Over five years	Total	One year or less	One to five years	Over five years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
GROUP								
Financial assets:								
Trade and other receivables	18,205	–	–	18,205	15,881	–	–	15,881
Cash and short-term deposits	46,118	–	–	46,118	51,386	–	–	51,386
Loans and receivables	1,362	–	–	1,362	1,362	–	–	1,362
Held-to-maturity investment	–	–	–	–	–	980	–	980
Derivative financial instruments	38	–	–	38	–	–	–	–
Total undiscounted financial assets	65,723	–	–	65,723	68,629	980	–	69,609
Financial liabilities:								
Trade and other payables	15,336	–	–	15,336	16,699	–	–	16,699
Bank borrowings	5,366	718	–	6,084	3,667	1,303	–	4,970
Finance leases	66	16	–	82	118	81	–	199
Total undiscounted financial liabilities	20,768	734	–	21,502	20,484	1,384	–	21,868
Total net undiscounted financial assets/(liabilities)	44,955	(734)	–	44,221	48,145	(404)	–	47,741

32. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturity (continued)

	31 December 2016				31 December 2015			
	One year or less	One to five years	Over five years	Total	One year or less	One to five years	Over five years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
COMPANY								
Financial assets:								
Other receivables	88	–	–	88	7	–	–	7
Cash and short-term deposits	272	–	–	272	70	–	–	70
Amount due from a subsidiary	–	16,986	–	16,986	–	17,271	–	17,271
Total undiscounted financial assets	360	16,986	–	17,346	77	17,271	–	17,348
Financial liabilities:								
Other payables	282	–	–	282	94	–	–	94
Total undiscounted financial liabilities	282	–	–	282	94	–	–	94
Total net undiscounted financial assets/(liabilities)	78	16,986	–	17,064	(17)	17,271	–	17,254

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their bank balances and fixed deposits that are at variable rate and certain bank and other borrowings that is repayable by instalment over three to five years at fixed rates and short-term bank and other borrowings that are arranged at variable interest rates pegged to the inter bank rates in Hong Kong and Japan. The Group's policy is to borrow long-term bank and other borrowings with three to five years' term at fixed rates to hedge against the increase in interest rates for short-term bank and other borrowings in a cost efficient manner. At the end of the reporting period, approximately 43% (2015: 89%) of the Group's bank borrowings were at fixed rate of interest.

Interest rate sensitivity

At the end of the reporting period, if interest rates had been 50 (2015: 50) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been US$100,000 (2015: US$135,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate bank borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

32. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in currencies other than the respective functional currencies of the group entities, primarily JPY, US$, SG$ and RMB, and therefore exposed to foreign exchange risk.

	Group			
	Liabilities		Assets	
	2016	2015	2016	2015
	US$'000	US$'000	US$'000	US$'000
Group				
JPY	352	856	1,862	1,209
US$	9,830	10,274	30,546	30,884
SG$	–	–	259	64
RMB	69	99	18,010	15,402

The Group may from time to time enter into forward foreign exchange contracts and foreign currency options contracts to manage its exposure to foreign currency risk.

The Group has a number of investments in foreign subsidiaries whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

Foreign currency sensitivity

The following table details the sensitivity to a 10% (2015: 10%) increase/decrease in exchange rates of the relevant foreign currencies against the functional currency of each group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans.

If the following foreign currencies strengthen by 10% (2015: 10%) against the functional currency of each group entity, profit before tax would increase by:

	Group	
	2016	2015
	US$'000	US$'000
JPY	151	35
US$	2,072	2,061
SG$	26	6
RMB	1,794	1,530

32. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

Foreign currency sensitivity (continued)

If the following foreign currencies weaken by 10% (2015: 10%) against the functional currency of each group entity, profit before tax would decrease by:

	Group	
	2016	2015
	US$'000	US$'000
JPY	(151)	(35)
US$	(2,072)	(2,061)
SG$	(26)	(6)
RMB	(1,794)	(1,530)

The above impact is mainly attributed to the exposure outstanding on cash and bank balances, bank borrowings, receivables and payables at the end of the reporting period.

Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to market price risk arising from its investments in quoted equity securities. These securities are quoted on the stock exchange in Japan and Hong Kong and are classified as available-for-sale investments and held for trading investments, respectively.

The Group is exposed to market price risk arising from its investments in securities. The management of the Group monitors its market risk on a regular basis in accordance with the Group's investment objective and policies.

Market price sensitivity

At the end of the reporting period, if market price had been 10% (2015: 10%) higher/lower with all other variables held constant, the Group's other comprehensive income would have been US$11,000 (2015: US$4,000) higher/lower, arising as a result of higher/lower in the fair value of quoted equity securities classified as available-for-sale investments. And the Group's profit before tax would have been US$22,000 (2015: US$26,000) higher/lower, arising as a result of higher/lower in the fair value of quoted equity securities classified as held for trading investments.

33. CAPITAL MANAGEMENT OBJECTIVES AND POLICIES

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of the Group's operation condition. To maintain or adjust the capital structure, the Group will balance its overall capital structure through payment of dividends, new share issues and share buy-back as well as the issue of new debts or the redemption of existing debts. The Group also reviews the capital structure on a semi-annual basis and whenever necessary. As part of this review, the Group considers the cost of capital and the risks associated with each class of capital. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

As disclosed in note 28 certain subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain non-distributable SRF whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2016 and 2015.

The Group monitors capital using a gearing ratio, which is total bank borrowings and obligations under finance leases for the Group, divided by shareholders' equity. The gearing ratio as at 31 December 2016 was 10.1% (2015: 7.7%).

34. SEGMENT INFORMATION

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

- LCD backlight units: manufacture of LCD backlight units for LCD modules
- Office automation: manufacture and trading of parts and precision accessories for office equipment and electrical appliances
- LCD parts and accessories: manufacture and trading of parts and precision accessories for LCD modules
- Others performing other business including general trading, food and beverage business, and management and advisory services

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from profit before tax in the consolidated financial statements. Reclassification adjustment arising from the liquidation of a subsidiary, corporate expenses, finance costs, interest income, share of loss of an associate, impairment loss of investment in an associate, impairment loss of available-for-sale investments and income tax expense are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Segment assets excluded available-for-sale investments, held-to-maturity investment, loans and receivables, held for trading investments, other assets, investment in an associate, prepayment for the acquisition of intangible asset and other unallocated corporate assets as these assets are managed on a group basis.

34. SEGMENT INFORMATION (continued)

Segment liabilities excluded income tax payable, deferred tax liabilities, retirement benefit obligations, bank borrowings, obligations under finance leases and unallocated corporate liabilities as these liabilities are managed on a group basis.

	LCD backlight units US$'000	Office automation US$'000	LCD parts and accessories US$'000	Others US$'000	Eliminations US$'000	Total US$'000
2016						
REVENUE						
External sales	59,104	21,090	22,060	967	–	103,221
Inter-segment sales *	–	402	76	–	(478)	–
Total revenue	59,104	21,492	22,136	967	(478)	103,221
RESULTS						
Segment results	5,831	447	667	(99)	–	6,846
Unallocated corporate expenses						(3,756)
Operating profit						3,090
Finance costs						(89)
Interest income						758
Share of loss of an associate						(278)
Impairment loss of investment in an associate						(360)
Impairment loss of available-for-sale investments						(83)
Profit before tax						3,038
Income tax expense						(2,635)
Profit for the year						403
2015						
REVENUE						
External sales	80,032	16,644	21,082	339	–	118,097
Inter-segment sales *	–	1,493	90	–	(1,583)	–
Total revenue	80,032	18,137	21,172	339	(1,583)	118,097
RESULTS						
Segment results	7,455	52	414	(4)	–	7,917
Reclassification adjustment arising from the liquidation of a subsidiary						4,937
Unallocated corporate expenses						(3,833)
Operating profit						9,021
Finance costs						(161)
Interest income						1,323
Share of loss of an associate						(156)
Profit before tax						10,027
Income tax expense						(2,093)
Profit for the year						7,934

* Inter-segment sales are eliminated on consolidation.

34. SEGMENT INFORMATION (continued)

	LCD backlight units US$'000	Office automation US$'000	LCD parts and accessories US$'000	Others US$'000	Eliminations US$'000	Total US$'000
2016						
ASSETS						
Segment assets	37,756	14,107	24,849	1,382	(63)	78,031
Unallocated assets						5,495
Consolidated total assets						83,526
LIABILITIES						
Segment liabilities	8,272	3,372	3,500	240	(63)	15,321
Bank borrowings and finance leases						6,095
Unallocated liabilities						1,798
Consolidated total liabilities						23,214
OTHER INFORMATION						
Capital expenditure	363	47	298	124	–	832
Depreciation of property, plant and equipment	764	353	668	5	–	1,790
(Decrease)/Increase in allowance for inventories	(647)	16	114	–	–	(517)
2015						
ASSETS						
Segment assets	44,088	12,619	26,488	380	(170)	83,405
Unallocated assets						5,263
Consolidated total assets						88,668
LIABILITIES						
Segment liabilities	9,259	2,648	4,851	119	(170)	16,707
Bank borrowings and finance leases						5,090
Unallocated liabilities						1,008
Consolidated total liabilities						22,805
OTHER INFORMATION						
Capital expenditure	1,209	357	122	85	–	1,773
Depreciation of property, plant and equipment	852	393	761	8	–	2,014
Increase/(Decrease) in allowance for inventories	506	(51)	186	–	–	641

34. SEGMENT INFORMATION (continued)

Geographical information

Revenue and non-current asset information based on the geographical locations of external customers and non-current assets respectively are as follows:

	Revenue from external customers		Carrying amount of non-current assets*	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Hong Kong	21,000	27,574	202	354
PRC	70,140	81,374	5,115	6,145
Japan	11,969	8,660	2,157	2,224
Others	112	489	–	–
	103,221	118,097	7,474	8,723

* Non-current assets as at 31 December 2016 and 2015 mainly comprise property, plant and equipment and rental deposits as presented in consolidated statement of financial position.

Information about a major customer

Revenue from one major customer accounted for 71.8% (2015: 68.9%) of the total revenue, arising from sales with all segments.

35. DIVIDENDS

	Group and Company	
	2016 US$'000	2015 US$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
Final exempt dividend for 2015: US 0.7 cents (2015: US 0.7 cents per share @ US$0.02 each) per share @ US$0.02 each	3,324	3,324
Interim exempt dividend for 2016: US 0.2 cents (2015: US 0.5 cents per share @ US$0.02 each) per share @ US$0.04 each*	475	2,375
	3,799	5,699
Proposed but not recognised as a liability as at 31 December:		
Estimated dividends on ordinary shares as at 31 December 2016, subject to shareholders' approval at the AGM:		
Final exempt dividend for 2016: US 0.5 cents (2015: US 0.7 cents per share @ US$0.02 each) per share @ US$0.04 each*	1,161	3,324

* On 26 August 2016, the Company consolidated every two (2) existing ordinary share of par value of US$0.02 each in the authorised and issued capital of the Company into one (1) ordinary share of par value of US$0.04 each in the authorised and issued capital of the Company.

36. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 30 March 2017.

Statistics of Shareholdings

As at 17 March 2017

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	10	0.61	454	0.00
100 - 1,000	314	19.09	234,555	0.10
1,001 - 10,000	518	31.49	3,241,550	1.41
10,001 - 1,000,000	784	47.66	53,528,650	23.23
1,000,001 AND ABOVE	19	1.15	173,424,799	75.26
TOTAL	**1,645**	**100.00**	**230,430,008**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	MIKUNI CO., LIMITED	95,500,000	41.44
2	RHB SECURITIES SINGAPORE PTE. LIMITED	25,735,900	11.17
3	DBS NOMINEES (PRIVATE) LIMITED	14,609,950	6.34
4	SBS NOMINEES PRIVATE LIMITED	7,935,500	3.44
5	OCBC SECURITIES PRIVATE LIMITED	6,073,800	2.64
6	DBS VICKERS SECURITIES (SINGAPORE) PTE. LIMITED	4,517,100	1.96
7	UOB KAY HIAN PRIVATE LIMITED	2,672,500	1.16
8	NG HWEE KOON	2,491,050	1.08
9	PHILLIP SECURITIES PTE. LIMITED	1,577,100	0.68
10	CHAN TECK FONG	1,444,250	0.63
11	MAYBANK KIM ENG SECURITIES PTE. LIMITED	1,424,170	0.62
12	LIM BUAN HUA	1,351,650	0.59
13	WONG KEE TOOT	1,246,500	0.54
14	RAFFLES NOMINEES (PTE) LIMITED	1,197,350	0.52
15	KHOR KIAN BENG	1,180,000	0.51
16	LIM & TAN SECURITIES PTE. LIMITED	1,154,050	0.50
17	CIMB SECURITIES (SINGAPORE) PTE. LIMITED	1,124,829	0.49
18	NG CHOR MENG	1,105,850	0.48
19	ABN AMRO CLEARING BANK N.V.	1,083,250	0.47
20	TEO CHENG TUAN DONALD	1,000,000	0.43
	TOTAL	**174,424,799**	**75.69**

Statistics of Shareholdings

As at 17 March 2017

Class of equity securities	:	Ordinary share
No. of equity securities (excluding treasury shares)	:	230,430,008
Voting rights	:	One vote per share

As at 17 March 2017, the total number of treasury shares held is 21,747,102. The treasury shares as a percentage of the total number of issued shares excluding treasury shares is 9.44%.

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 17 MARCH 2017

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Mikuni Co., Limited	118,486,450 [Note1]	51.42	–	–
Yoshimi Kunikazu	–	–	118,486,450 [Note 2]	51.42

Notes:

1. 22,986,450 shares owned are held through a nominee account.
2. Mr. Yoshimi Kunikazu is deemed interested in the shares held by Mikuni Co., Limited ("Mikuni") by virtue of his 100% shareholdings in Mikuni.

PUBLIC FLOAT

As at 17 March 2017, about 47.15% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CDW Holding Limited (the "Company") will be held at Kallang Room, Holiday Inn Singapore Atrium, 317 Outram Road, Singapore 169075 on Friday, 28 April 2017 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Report of the Directors and the Audited Financial Statements of the Company for the year ended 31 December 2016 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To declare a final dividend of 0.5 US cents per ordinary share (tax not applicable) for the year ended 31 December 2016 (2015: Final dividend of 0.7 US cents per ordinary share (tax not applicable)). **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to the Bye-laws 104 and 107(B) of the bye-laws of the Company:

Mr. LAI Shi Hong, Edward	(Retiring under Bye-law 104)	**(Resolution 3)**
Mr. CHONG Pheng	(Retiring under Bye-law 104)	**(Resolution 4)**
Mr. YOSHIKAWA Makoto	(Retiring under Bye-law 107(B))	**(Resolution 5)**

Mr. Lai Shi Hong, Edward will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees and will be considered independent.

Mr. Chong Pheng will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees and will be considered independent.

4. To approve the payment of Directors' fees up to SG$220,000 for the year ending 31 December 2017 (2016: SG$242,000). **(Resolution 6)**

5. To re-appoint Ernst & Young in Hong Kong as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to issue shares**

That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), the Directors of the Company be empowered to

(a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(aa) new shares arising from the conversion or exercise of any convertible securities;

(bb) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(cc) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the bye-laws of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (i)] **(Resolution 8)**

8. **Authority to issue shares under the CDW Employees' Share Option Scheme 2013**

That authority be and is hereby given for the Directors of the Company to offer and grant options under the CDW Employees' Share Option Scheme 2013 (the "2013 Scheme") and to allot and issue and/or deliver (including through the transfer of shares held in treasury by the Company) from time to time such number of fully paid-up ordinary shares as may be required to be allotted, issued and/or delivered pursuant to the exercise of options granted under the 2013 Scheme, provided that the total number of ordinary shares over which an option granted or may be granted under the 2013 Scheme, when added to the total number of ordinary shares issued and issuable or delivered and deliverable in respect of (a) all options granted under the 2013 Scheme and (b) all awards, shares and options granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company and for the time being in force, shall not exceed fifteen per centum (15%) of the number of all issued ordinary shares (excluding treasury shares) of the Company on the day preceding such date, and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)] **(Resolution 9)**

9. **Authority to issue shares under the CDW Share Performance Scheme 2013**

That approval be and is hereby given to the Directors of the Company to offer and grant awards under the CDW Share Performance Scheme 2013 (the "Performance Scheme") and to allot and issue and/or deliver (including through the transfer of shares held in treasury by the Company) from time to time such number of fully paid-up ordinary shares as may be required to be allotted, issued and/or delivered pursuant to awards granted under the Performance Scheme, provided that the total number of ordinary shares over which an award granted or may be granted under the Performance Scheme, when added to the total number of ordinary shares issued and issuable or delivered and deliverable in respect of (a) all awards granted under the Performance Scheme and (b) all awards, shares and options granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company and for the time being in force, shall not exceed fifteen per centum (15%) of the number of all issued ordinary shares (excluding treasury shares) of the Company on the day preceding such date, and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 10)**

By Order of the Board

Lynn Wan Tiew Leng
Company Secretary

Singapore
5 April 2017

Explanatory Notes:

(i) The Ordinary Resolution 8 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(ii) The Ordinary Resolution 9 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to allot and issue and/or deliver (including through the transfer of shares held in treasury by the Company) fully paid-up ordinary shares in the Company pursuant to the exercise of options granted or may be granted under the 2013 Scheme. The total number of ordinary shares to be allotted, issued and/or delivered over which an option granted or may be granted under the 2013 Scheme, when added to the total number of ordinary shares issued and issuable or delivered and deliverable in respect of all other share-based incentive schemes of the Company, shall not exceed fifteen per centum (15%) of the number of all issued ordinary shares (excluding treasury shares) of the Company on the day preceding such date.

(iii) The Ordinary Resolution 10 in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to allot and issue and/or deliver (including through the transfer of shares held in treasury by the Company) fully paid-up ordinary shares in the Company pursuant to the awards granted or may be granted under the Performance Scheme. The total number of ordinary shares to be allotted, issued and/or delivered over which an award granted or may be granted under the Performance Scheme, when added to the total number of ordinary shares issued and issuable or delivered and deliverable in respect of all other share-based incentive schemes of the Company, shall not exceed fifteen per centum (15%) of the number of all issued ordinary shares (excluding treasury shares) of the Company on the day preceding such date.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. If a shareholder of the Company, being a Depositor whose name appears in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore) wishes to attend and vote at the Meeting, he must be shown to have shares entered against his name in the Depository Register, as certified by The Central Depository (Pte) Limited, at least forty-eight (48) hours before the time of the Meeting.

3. If a Depositor wishes to appoint a proxy(ies) to attend the Meeting, he must complete and deposit the Depositor Proxy Form at the office of the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Limited, at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, at least forty-eight (48) hours before the time of the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting (the "Meeting") and/or any adjournment thereof, a Member of the Company or a Depositor, as the case may be (a) consents to the collection, use and disclosure of the Member's or Depositor's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (b) warrants that where the Member or a Depositor discloses the personal data of the Member's or Depositor's proxy(ies) and/or representative(s) to the Company (or its agents), the Member or Depositor has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (c) agrees that the Member or Depositor will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Member's or Depositor's breach of warranty.

CDW Holding Limited

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