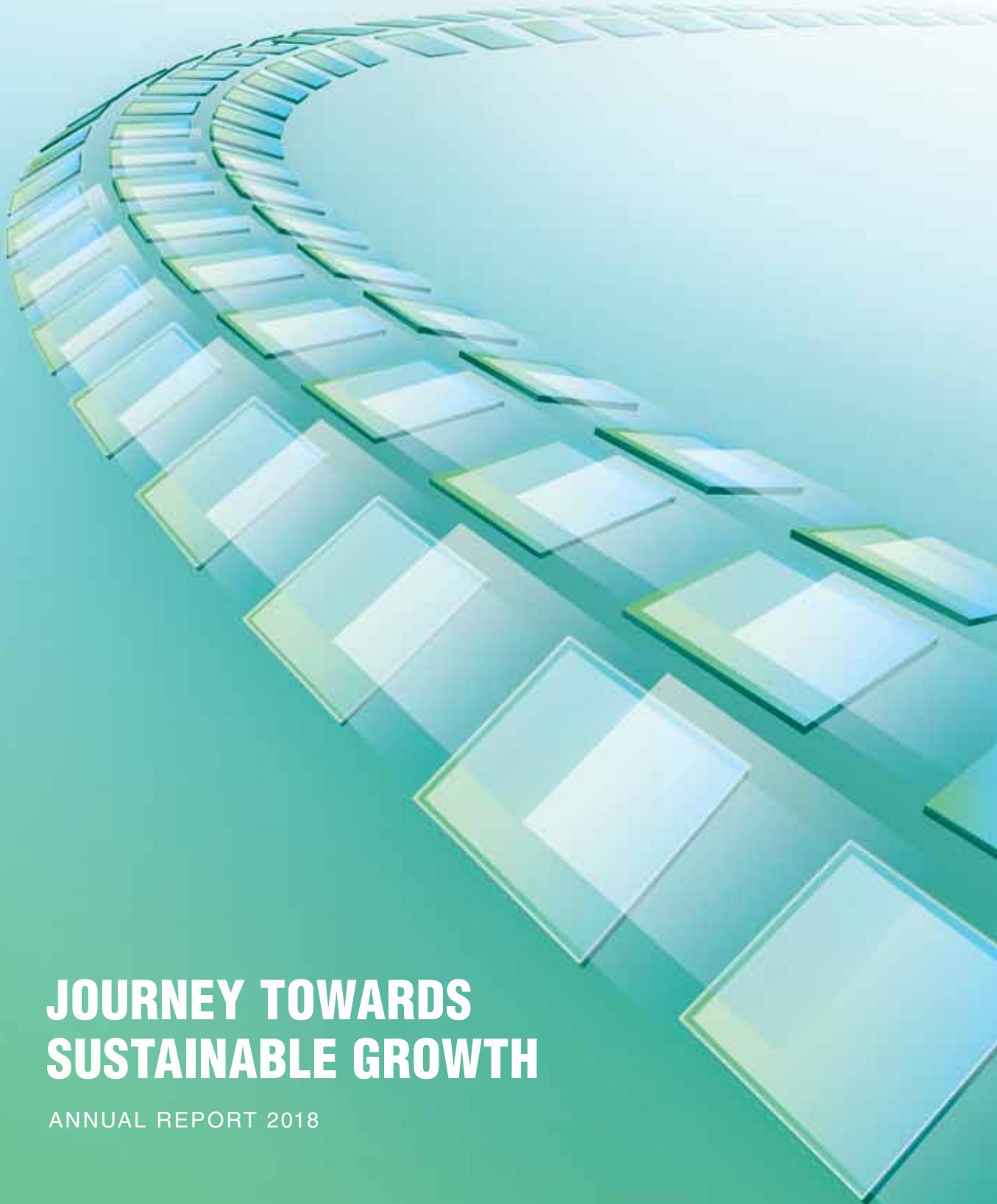


CDW Holding Limited



JOURNEY TOWARDS SUSTAINABLE GROWTH

ANNUAL REPORT 2018

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.

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CORPORATE PROFILE

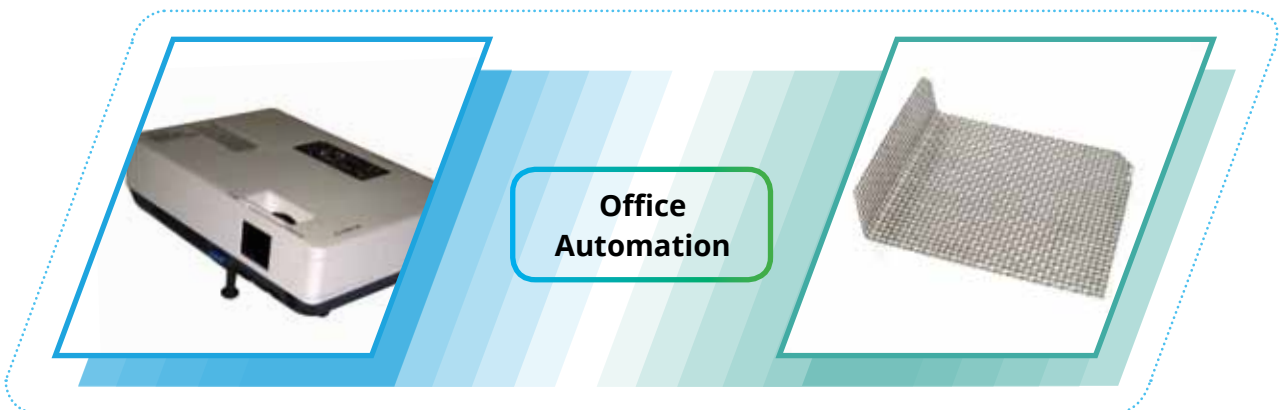
CDW Holding Limited is a Japanese-managed precision components specialist serving the global market focusing on the production and supply of niche precision components for mobile communication equipment, gamebox entertainment equipment, consumer and information technology equipment, office equipment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



This section features a central blue and teal striped graphic with a rounded rectangle containing the text "LCD Backlight Units". To the left is an image of a car's instrument cluster, and to the right is an image of a single, curved, translucent backlight component.



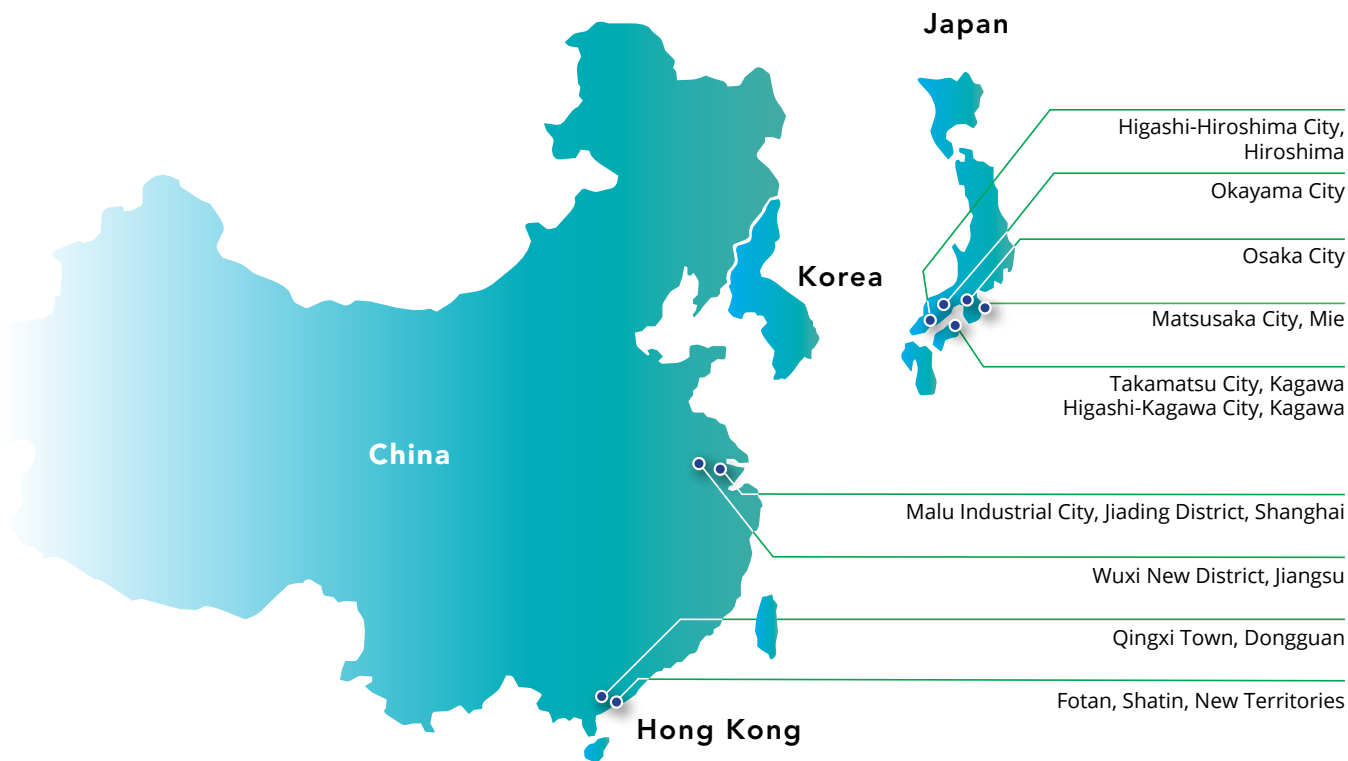
This section features a central blue and teal striped graphic with a rounded rectangle containing the text "LCD Parts and Accessories". To the left is an image of a laptop, and to the right is an image of several black, rectangular LCD components.



This section features a central blue and teal striped graphic with a rounded rectangle containing the text "Office Automation". To the left is an image of a white office printer, and to the right is an image of a textured, rectangular component, possibly a filter or part of a printer.

● Applications ● Our Products

LOCATIONS OF OPERATIONS



Ajikobo Muguruma of TWB Co., Limited



CDW Life Science Limited in Okayama Research Park Incubation Center



Crystal Display Components (Shanghai) Co., Limited



Dongguan Dali S.M.T. Assembly Limited



GSP Enterprise Inc.



Menkobo Muguruma Co., Limited



Minami Tec (Wuxi) Co., Limited



Tomoike Industrial Co., Limited



Tomoike Precision Machinery (Dongguan) Co., Limited

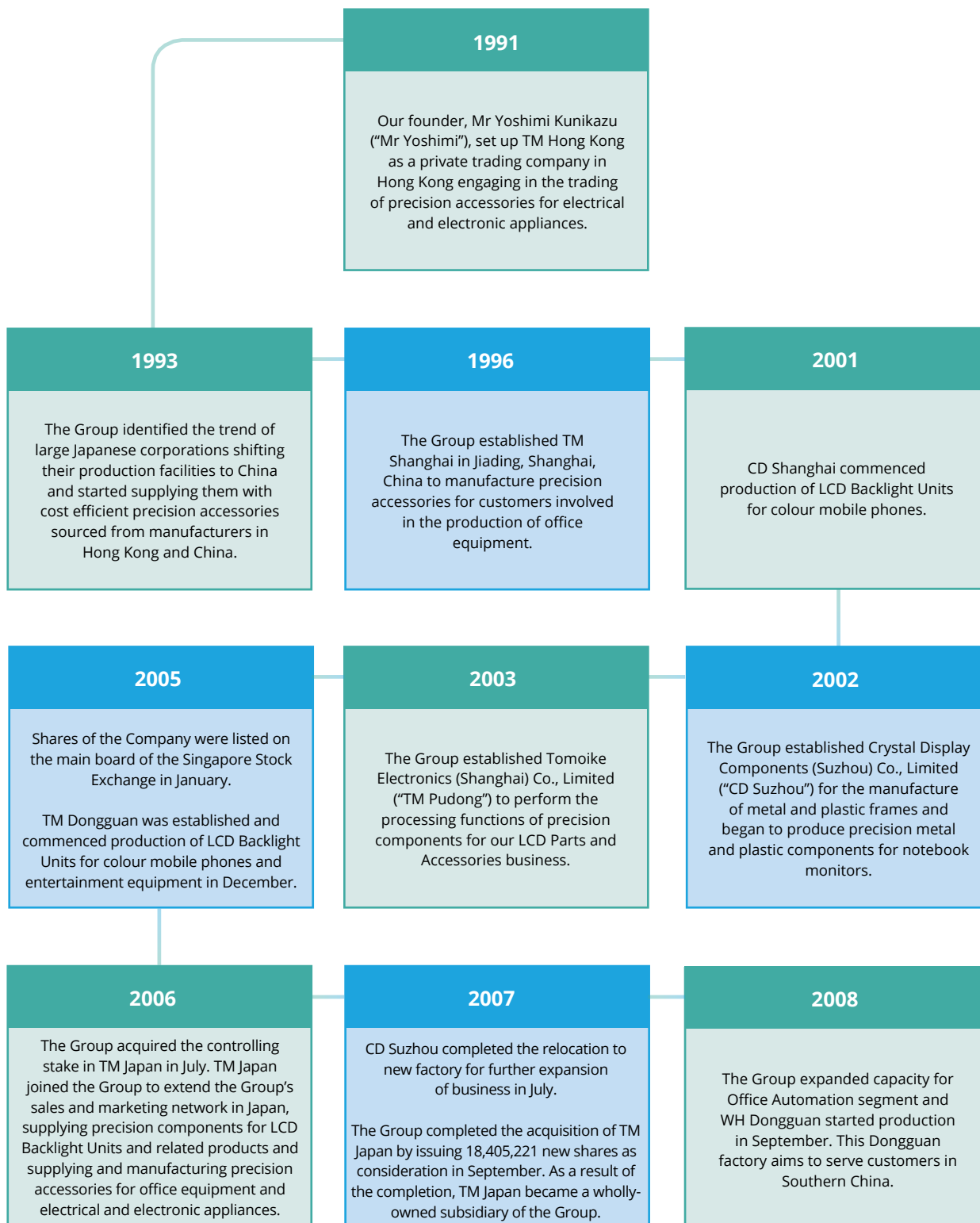


Tomoike Precision Machinery (Shanghai) Co., Limited

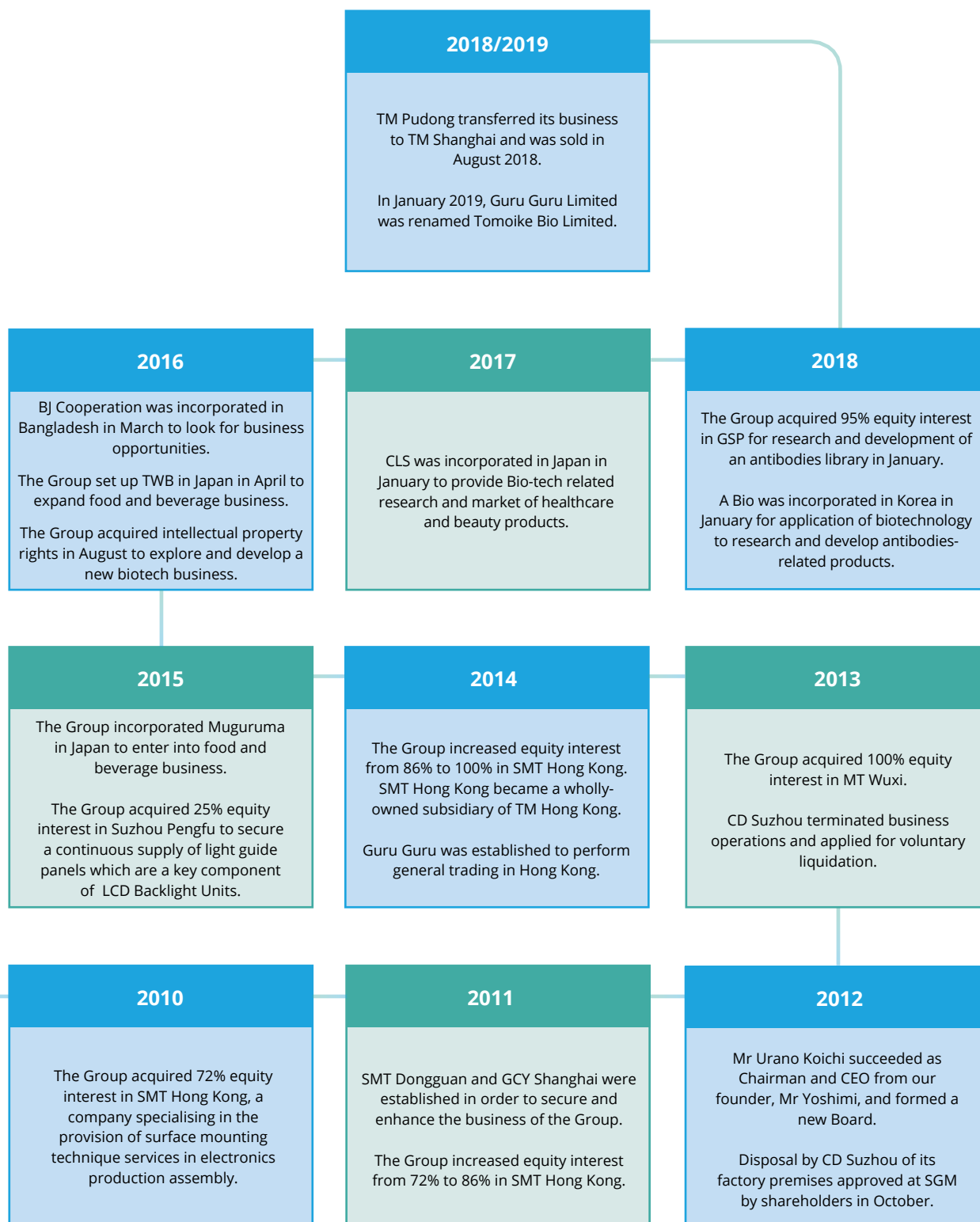


Wah Hang Precision Machinery (Dongguan) Limited

CORPORATE MILESTONES



CORPORATE MILESTONES



LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,

On behalf of the Board and the Management of CDW Holding Limited, I am pleased to share our results for the financial year ended 31 December 2018 ("FY2018"). Since FY2018, we have continued to face an increasingly volatile business landscape due to the effects of the unprecedented US-China trade war on the world economy, while managing our own persistent operational challenges of intense price competition and shorter product life cycles.

In response, we have had to remain agile and resilient as we navigate these challenges. Our strategy has been to restructure our operations and focus on our strengths and capabilities, while trying to develop and augment other areas which can create new growth opportunities for the Group.

Our revenue for FY2018 fell 13.4% to US\$90.2 million from US\$104.1 million in the previous corresponding financial year ("FY2017"). There were two main reasons for this. Firstly, we saw fewer orders from gameset devices which underwent an early termination by the end customer of our key customer. Secondly, we experienced a delay in receiving mass production orders for large sized LCD backlight units for more premium vehicles and ultrathin notebook computers.

Correspondingly, our gross profit fell by 28.4% from US\$27.1 million in FY2017 to US\$19.4 million in FY2018. Gross margins also decreased to 21.5% in FY2018 compared to 26.0% in FY2017. Other operating income recorded an amount of US\$5.2 million in FY2018 (FY2017: US\$0.9 million) with a US\$4.2 million gain from the disposal of subsidiaries and interest income from bank deposits.

Our finance costs continue to remain at a relatively low level, mainly due to our low gearing policy, despite US experiencing a rise in interest rates leading to an increased finance cost. In FY2018, we also had a total share of loss from associates of US\$0.4 million compared to US\$0.09 million in FY2017, and had also written off goodwill in an associate amounting to US\$0.2 million (FY2017: US\$0.9 million).

" We expect the number of orders for our Office Automation and LCD Parts and Accessories segments to grow, while we continue to overcome challenges faced by the LCD backlight units segment."

As a result, we saw a profit before income tax of US\$2.6 million and a profit after tax amounting to US\$0.8 million, compared to US\$4.5 million and US\$1.7 million respectively in FY2017.

OUTLOOK AND STRATEGY

In FY2018, the Group's strategy of focusing on manufacturing larger information display panels used in premium vehicles and ultrathin notebook computers began to yield results especially after resolving quality issues which caused a delay in mass production. These larger display panels which command a higher selling price per unit, received sizeable purchase orders for deliveries in December 2018 onwards. The new generation light guide film that is being co-developed with the key customer is also expected to see use in LCD Backlight units for ultrathin notebook computers and this will open up further opportunities for more mass production orders in the coming years.

The Office Automation and LCD Parts and Accessories businesses are expected to continue their steady performance. We anticipate that the former will be buoyed by orders for parts for new models of office automation and mobile phones while the latter will receive orders for parts used in ultrathin notebook computers, and new orders for the OEM business. We will continue keeping close tabs on market

LETTER TO SHAREHOLDERS

demand for the different types of mobile payment machines and realign our focus accordingly with the needs of the industry. At the same time, we are also still evaluating the benefits of combining both LCD Parts and Accessories and Office Automation under a single business segment in order to streamline our reporting process.

For our life sciences business, we are exploring various options to market the synthetic antibodies library to relevant biotech and pharmaceutical companies for research and development purposes with the aim of creating alternative treatments for diseases in the future. Our own research and development efforts continued at a steady pace and work is already underway for the next generation of antibody library which is projected to reach patent application phase in the latter part of 2019.

In FY2018, A Biotech Co., Limited (“A Bio”) was changed from a subsidiary of the Company to an associate of the Group under the leadership of Mr Yoshimi Koichi for better development. A Bio will continue to perform research and development on antibodies-related products with the co-operation of GSP Enterprise Inc. (“GSP”), a subsidiary of the Group in Japan. Currently, there is a joint research and development and assistance agreement on antibodies-related products in place between A Bio, GSP and Tomoike Bio Limited (formerly known as Guru Guru Limited), a subsidiary of the Group in Hong Kong. Concurrently, A Bio will operate on a revenue and profit sharing basis from manufacturing and selling of antibodies-related products to other pharmaceutical or nutraceutical companies in Korea.

Working through A Bio, the Group also plans to market and distribute in South Korea ingredients using intellectual properties acquired from Meisterbio Co., Limited. By leveraging on the momentum built by A Bio in South Korea, the Group hopes to better penetrate the Korean market there with our life sciences products as we perceive greater interest and opportunities there.

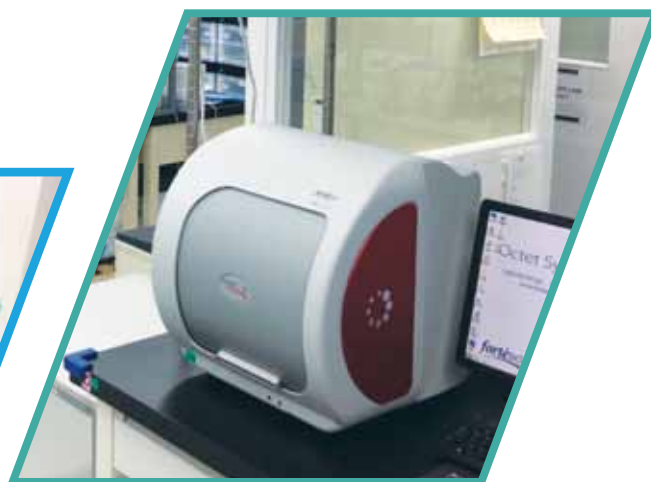
Lastly, for the Group’s food and beverage business, we will look into improving the segment’s profitability in FY2019 and explore how to broaden our footprint.

MOVING FORWARD

We expect the number of orders for our Office Automation and LCD Parts and Accessories segments to grow, while we continue to overcome challenges faced by the LCD backlight units segment. We have made efforts to increase our product portfolio especially for models of in-vehicle information display units in order to replace older designs. This would enable us to offer a wider range of products to customers and secure more orders.



LETTER TO SHAREHOLDERS



Our life sciences business is still in its development phase. As such, it will continue to affect our profitability to some extent. Despite these short-term complications, we believe that this business has the potential to diversify the Group's business and eventually increase our revenue stream. We will therefore continue to look for opportunities to promote and market our life sciences products as well as search for other related investment opportunities in order to augment this business segment.

CONCLUSION

We remain cautious for FY2019 due to the challenging operating environment we operate in and the tumultuous global economic environment. Moving forward, we will continue to be adaptable, leveraging on the initiatives we have in place to alleviate the downsides and capitalise on opportunities that may arise.

As this is my first message as Chairman of CDW Holding Limited, I would like to take the opportunity to thank all parties for their faith, dedication and support. We have weathered the challenges of the year thanks to the tireless efforts of the management team and staff, and are also fortunate to have the strong backing from our shareholders, business partners and professionals in Japan, Hong Kong, Singapore, China and South Korea. For the financial year ahead, we will continue to work hard to unlock the potential of CDW by growing our different business segments.

In appreciation to our shareholders for their support especially in these challenging times, we are proposing a final dividend of 0.7 US cent per ordinary share subject to shareholder approval at the upcoming Annual General Meeting. If approved, this would translate to a total dividend of 1.1 US cent per share for FY2018 as an interim dividend of 0.4 US cent per ordinary share that was declared earlier this year.

Yours Sincerely,
YOSHIKAWA Makoto

FINANCIAL AND OPERATIONS REVIEW

STATEMENT OF PROFIT AND LOSS

Revenue for the year ended 31 December 2018 (“FY2018”) was lower by US\$13.9 million at US\$90.2 million as compared to US\$104.1 million in FY2017, the previous corresponding financial year. The drop was mainly due to fewer orders for gameset devices which suffered an early termination by the end customer of the Group’s key customer and a delay in receiving mass production orders for large sized LCD backlight units used in more premium vehicles and ultrathin notebook computers.

The Group’s gross profit for FY2018 decreased by US\$7.7 million to US\$19.4 million from US\$27.1 million in FY2017, and the gross profit margin of the Group fell to 21.5% in FY2018, as compared to 26.0% in FY2017. It was attributable to the decrease in revenue in high margin products as well as the utilisation at comparatively low level.

Other income registered an amount of US\$5.2 million in FY2018 as compared to US\$0.9 million in FY2017. For the year under review, there was an arrangement which led to A Biotech Co., Limited (“A Bio”) changing its status from a subsidiary company of the Group to an associate of the Group (please see the details below). Part of such arrangement was regarded as a disposal of subsidiary and an acquisition of an associate. In addition, the Group had consolidated its operation of LCD Parts and Accessories segment in order to reduce the manufacturing and operational overhead by transferring the business of Tomoike Electronics (Shanghai) Co., Limited (“TM Pudong”) to Tomoike Precision Machinery (Shanghai) Co., Limited (“TM Shanghai”). Both companies are the Group’s wholly owned subsidiaries, and TM Pudong was subsequently sold to an independent third party. As a result of these two corporate exercises, there was a gain of US\$3.3 million on the disposal of A Bio shares and a gain of US\$0.9 million on the disposal of TM Pudong. The rest of the amount in other operating income mainly comprised interest income earned on bank deposits.

Distribution costs, mainly consisting of packing materials, courier charges, freight and storage costs, decreased by US\$0.4 million to US\$1.7 million in FY2018 (FY2017: US\$2.1 million) while administrative expenses decreased by US\$0.7 million to US\$19.5 million (FY2017: US\$20.2 million). Upon the

consolidation of operations as mentioned above, the Group managed to make an overall savings of US\$1.3 million. However, there were other one-off expenses which offset this cost saving. During the year, the Company had written off goodwill of US\$0.1 million in a company known as GSP Enterprise Inc. (“GSP”) during the acquisition of this company as it is a cost centre for research and development for the next generation of antibodies library. The Group had also written off intellectual properties amounting to US\$0.1 million as development expenses due to lack of feasible business plan in near future. During the year, the Group has performed an impairment assessment over the Group’s property, plant and equipment. Based on recoverable amounts, there were impairment expenses of US\$0.8 million. Included in administrative expenses was an operating expense amounting to US\$1.6 million (FY2017: US\$0.5 million) attributable to the Group’s life sciences business.

Even though the Group experienced a rise in interest rates which led to an increase in finance costs for the year under review, finance costs still remained at a lower level as the Group continued to strictly uphold a low gearing policy despite the current relatively low interest environment.

The Group’s associates incurred an operating loss in FY2018 which contributed to a total share of loss from associates of US\$0.4 million (FY2017: US\$0.09 million). In addition, the Group provided an impairment loss of investments in associates that amounted to US\$0.2 million (FY2017: US\$0.9 million).

Income tax expenses for FY2018 decreased to US\$1.8 million as compared to US\$2.8 million for FY2017. Included in the income tax expenses of US\$1.8 million was capital gain tax of US\$0.7 million on the gain of disposal of subsidiaries. As the income tax of profit-making subsidiaries not being offset by tax credit of loss-making subsidiaries, the Group incurred tax expenses of US\$1.1 million which led to a relatively high effective tax rate.

For FY2018, the Group recorded a profit before income tax of US\$2.6 million (FY2017: US\$4.5 million) and registered a profit after income tax amounting to US\$0.8 million (FY2017: US\$1.7 million).

FINANCIAL AND OPERATIONS REVIEW

LCD Backlight Units

In FY2018, revenue from the LCD Backlight Units segment was US\$38.4 million, a US\$21.4 million decrease as compared to US\$59.8 million in FY2017. Revenue was affected by the delay in receiving mass production orders of large sized LCD backlight units for more premium vehicles and ultrathin notebook computers and fewer LCD backlight unit orders for gameset devices due to an early termination of the gameset model by the key customer's end customer. There was an operating profit of US\$1.1 million in FY2018 as compared to an operating profit of US\$7.5 million in FY2017. The operating margin of the segment decreased from 12.5% in FY2017 to 2.9% in FY2018 due to a lower utilisation rate.

In terms of volume production, the total number of units sold for the segment amounted to 8.3 million units (FY2017: 21.4 million units). Approximately 0.3 million units were sold for handsets (FY2017: 0.9 million units) and another 8.0 million units were sold for gamesets and in-vehicle information displays (FY2017: 20.5 million units). This was a 66.7% and 61.0% decrease respectively.

Office Automation

The revenue from this segment rose by 14.5% to US\$25.3 million in FY2018 as compared to US\$22.1 million in FY2017 and the operating profit of US\$1.6 million in FY2018 as compared to US\$1.2 million in FY2017. Meanwhile the operating margin of the segment increased from 5.4% in FY2017 to 6.3% in FY2018.

LCD Parts and Accessories

Sales for the LCD Parts and Accessories segment increased by US\$4.6 million from US\$20.7 million in FY2017 to US\$25.3 million in FY2018. The segment booked an operating profit of US\$0.8 million for the year under review, as compared to US\$1.1 million in FY2017. The decrease in operating profit was due to new orders for parts for ultrathin notebook computers and orders for the OEM business offset by impairment of US\$0.7 million on facilities based on recoverable amount. The operating margin decreased from 5.3% in FY2017 to 3.2% in FY2018.

Others

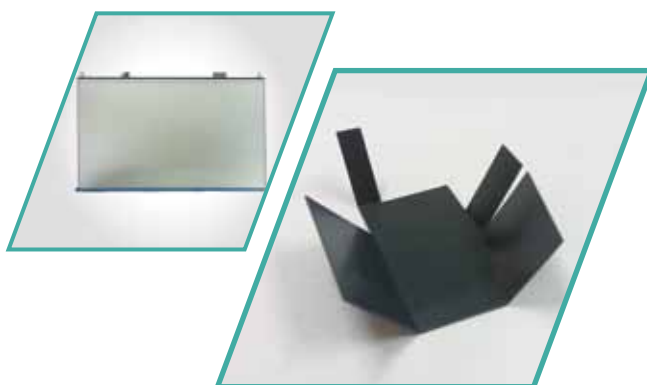
This segment mainly comprises the food and beverage business as well as the life sciences business, which collectively generated revenue of US\$1.3 million in FY2018 (FY2017: US\$1.5 million). As the life sciences division is still in its initial development stage, there was an operating loss of US\$2.0 million in FY2018 (FY2017: US\$1.5 million).

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018, the Group's total assets and liabilities were US\$88.9 million and US\$31.4 million respectively, as compared to US\$88.5 million and US\$27.6 million as at 31 December 2017.

Current assets decreased by US\$2.2 million to US\$76.7 million as at 31 December 2018 compared to US\$78.9 million as at 31 December 2017. Cash and bank balances decreased by US\$8.3 million from US\$43.8 million as at 31 December 2017 to US\$35.5 million as at 31 December 2018 mainly due to the cash outflow of US\$3.3 million arising from the disposal of subsidiaries in the PRC and Korea as mentioned above, the payment for the dividends and the purchase of property, plant and equipment. Trade receivables remained stable at US\$24.5 million over the year under review. There was no material change in the credit term for the majority of customers to which 60 days to 120 days are offered to them in general.

Other receivables and prepayments, representing outstanding sales proceeds arising from the disposal of equity interest in subsidiaries, utility deposits, prepaid expenses, interest receivable and value-added tax recoverable, increased by US\$0.8 million during the year under review from US\$3.1 million as at 31 December 2017 to US\$3.9 million as at 31 December 2018.



FINANCIAL AND OPERATIONS REVIEW

Inventories rose by US\$3.3 million to US\$10.2 million as at 31 December 2018 (31 December 2017: US\$6.9 million) due to expected increase in sales orders for the following quarters of the year.

Included in loan and receivables under investments which amounted to US\$2.2 million was the provision of funding to a company which is one of the Group's customers at an interest rate of 1.4% per month with a personal guarantee from the controlling shareholder, who is also the sole director of the company.

The non-current assets of the Group increased by US\$2.6 million to US\$12.2 million as at 31 December 2018 as compared to US\$9.6 million as at 31 December 2017. Also included in property, plant and equipment was newly purchased equipment amounting to US\$2.3 million, which was netted off against a depreciation charge of US\$1.4 million and an impairment write-off of US\$0.8 million under the Group's impairment assessment over its property, plant and equipment as mentioned above.

Prepayment for the acquisition of the intangible asset represented an advance payment for the application of research results related to biotech products and their related patents. During the year, the Group had utilised US\$0.1 million as development expenses.

The equity investment designated at fair value through other comprehensive income included the equity investment in a Korean company, which offered the Group manufacturing and distribution rights for its products, and listed shares in Japan. The Group had engaged an independent firm of professional valuers to determine the fair value of the equity investment in the Korean company as at 1 January 2018 and 31 December 2018 on market approach with reference to the share transactions occurred during the year ended 31 December 2018. As at 1 January 2018, the Group recognised a gain of US\$0.8 million, being the fair value gain of US\$1.0 million less the deferred tax liabilities of US\$0.2 million. As at 31 December 2018, the Group recognised a loss of US\$0.4 million, being the fair value loss of US\$0.5 million less the deferred tax

KEY FINANCIAL DATA

US\$m	FY2018	FY2017	FY2016	FY2015	FY2014
Total assets	88.9	88.5	83.5	88.7	118.9
Total liabilities	31.4	27.6	23.2	22.8	48.8
Current assets	76.7	78.9	72.6	76.6	108.4
Current liabilities	29.9	25.3	22.0	20.7	43.2
Shareholders' equity	57.5	60.9	60.3	65.9	70.1
Revenue	90.2	104.1	103.2	118.1	151.8
Profit before tax	2.6	4.5	3.0	10.0	11.5
Profit after tax	0.8	1.7	0.4	7.9	8.4
Earnings per share (US cents)	0.39	0.75	0.17	3.34 [#]	3.52 [#]
Dividends per share (US cents)	1.1 [*]	1.2	0.7	2.4 [#]	2.4 [#]

* including the proposed final dividend for FY2018

[#] 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

FINANCIAL AND OPERATIONS REVIEW

assets of US\$0.1 million. Both the gain of US\$0.8 million and the loss of US\$0.4 million were charged to other comprehensive income.

The investment in associates represented investment in Suzhou Pengfu Photoelectric Technology Co., Limited ("Suzhou Pengfu") and A Bio. As Suzhou Pengfu had been loss-making since incorporation, the Group assessed the recoverable amount of this investment with reference to value in use calculation and concluded that the investment cannot be recovered. As such, a full provision of US\$0.2 million for the loss in this investment was provided.

A Bio was a wholly owned subsidiary of the Group when it was incorporated in January 2018. After A Bio underwent two rounds of new issues, the Group's shareholding in A Bio reduced from 100% to 82.4%. In September 2018, the Group entered into a share purchase arrangement with an associate of the Group's controlling shareholders to sell 280,000 shares or 33.0% equity interest in A Bio. Upon the completion of this transaction, the Group's shareholding in A Bio was reduced to 49.4%, and A Bio became an associate of the Group due to loss of control. The Group had engaged an independent firm of professional valuers to determine the fair value of 49.4% equity value of A Bio and its net identifiable assets and liabilities at the date of disposal and to perform the impairment assessment of the investment in A Bio as at 31 December 2018 on market approach with reference to the share transactions occurred during FY2018. At the date of

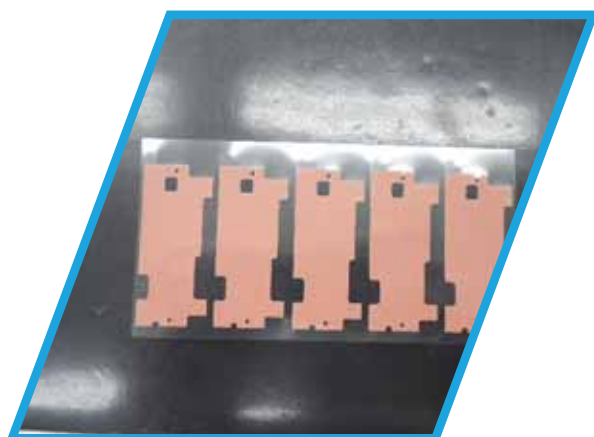


disposal, the Group recognised goodwill of US\$1.9 million. On the same basis, there was no impairment on the investment in A Bio as at 31 December 2018.

Total liabilities as at 31 December 2018 was US\$31.4 million, representing an increase of US\$3.8 million over FY2018 (31 December 2017: US\$27.6 million). During this year, the Group drew bank borrowings amounting to US\$21.9 million while it settled bank borrowings amounting to US\$23.0 million with a net cash outflow from bank borrowings amounting to US\$1.1 million. The total amount of bank borrowings decreased to US\$8.4 million as at 31 December 2018 (31 December 2017: US\$9.7 million).

Trade payables increased by US\$6.1 million to US\$17.2 million as at 31 December 2018 (31 December 2017: US\$11.1 million). It was consistent with the increase in inventories and expected sales orders as explained above. There was no material change in the credit terms offered by the Group's suppliers.

Other payables, representing accruals for expenses, payable for consumable materials and accessories, wages payable, deposits received from customers and tax payable other than income tax liabilities, reduced by US\$0.8 million during the year under review from US\$4.8 million as at 31 December 2017 to US\$4.0 million as at 31 December 2018.



FINANCIAL AND OPERATIONS REVIEW

The reduction was mainly attributable to the consolidation of operations.

The income tax on profit for FY2018 was provided for and adjusted under tax rules for different jurisdictions. The income tax charge net of payment for the year under review had reduced the income tax payable by US\$0.5 million to US\$0.8 million (31 December 2017: US\$1.3 million).

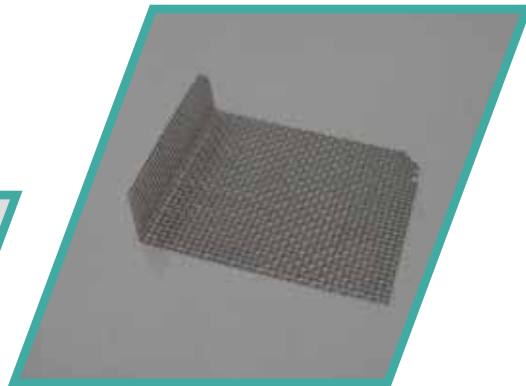
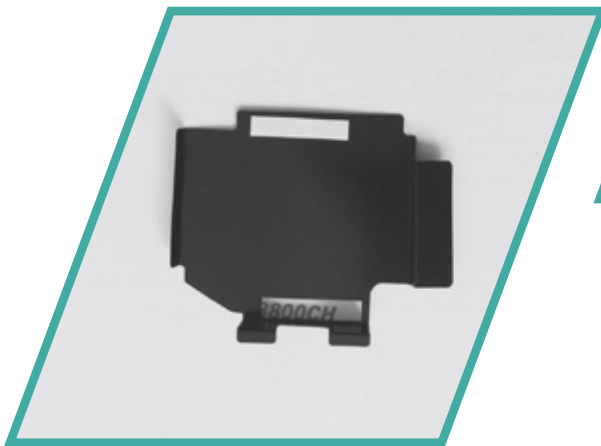
Included in the non-current liabilities were retirement benefit obligations for directors in the Group's subsidiary in Japan and deferred tax liabilities.

STATEMENT OF CASH FLOWS

For FY2018, the Group's net cash from operating activities amounted to US\$1.0 million as compared to net cash used in operating activities amounted to US\$3.5 million for the last year. During the year, the Group made a payment for income tax expenses amounting to US\$2.1 million (FY2017: US\$2.5 million).

Moving on to investing activities, there was a net cash outflow of US\$5.5 million which was mainly attributed to an increase in the loan and receivables of US\$1.2 million and cash outflow from disposal of subsidiaries of US\$3.3 million. During the year under review, a total of US\$2.2 million was invested into property, plant and equipment and another US\$0.2 million into the acquisition of GSP.

Lastly, for financing activities there was a net cash outflow of US\$2.7 million for the year under review. These activities included the net repayment of bank borrowings amounting to US\$1.1 million and the payment of dividends of US\$2.5 million. This is inclusive of the final dividend of US\$1.6 million for FY2017 and interim dividend of US\$0.9 million for FY2018. During FY2018, the Group repurchased its owned shares through the open market amounting to US\$0.3 million (FY2017: US\$0.5 million).



FINANCIAL AND OPERATIONS REVIEW

Key Operational Information / Data

LCD Backlight Units Operating Subsidiaries

(TM Hong Kong, CD Shanghai & TM Japan)

	FY2018	FY2017	FY2016	FY2015	FY2014
Revenue (US\$m)	38.4	59.8	59.1	80.0	100.2
Earnings before interest and Taxes (EBIT) (US\$m)	1.1	7.5	5.8	7.5	11.5
Gross floor area (sqm)	7,620	7,620*	19,096	19,731	19,731
Clean room area (sqm)	4,096	4,096*	5,416	6,077	6,306
Number of staff	95	87	114	125	166
Number of workers	502	428	556	707	1,733
Production capacity (units/mth)	4,000,000	4,000,000	6,000,000	6,000,000	6,000,000

* TM Dongguan production was integrated into CD Shanghai in December 2017 and its gross floor area and clean room area were deployed to LCD Parts and Accessories segment.

LCD Parts and Accessories Operating Subsidiaries

(TM Hong Kong, TM Pudong, TM Dongguan, TM Japan, SMT Hong Kong, SMT Dongguan & MT Wuxi)

	FY2018	FY2017	FY2016	FY2015	FY2014
Revenue (US\$m)	25.3	20.7	22.1	21.1	26.4
EBIT (US\$m)	0.8	1.1	0.7	0.4	1.1
Gross floor area (sqm)	5,673*	11,165#	11,245	15,601	16,210
Clean room area (sqm)	2,167*	3,687#	2,590	3,400	2,107
Number of staff	58	73	83	107	129
Number of workers	221	270	148	210#	518

* TM Pudong stopped production in October 2015 and its production area was excluded in the gross floor area in 2017, while TM Dongguan's gross floor area and clean room area were deployed from LCD Backlight Units segment in 2017.

SMT Dongguan transferred its operations to TM Dongguan in November 2018, and TM Pudong was disposed of in August 2018.

Office Automation Operating Subsidiaries

(TM Hong Kong, TM Shanghai, TM Japan, WH Hong Kong, WH Dongguan & GCY Shanghai)

	FY2018	FY2017	FY2016	FY2015	FY2014
Revenue (US\$m)	25.2	22.1	21.1	16.6	25.2
EBIT (US\$m)	1.6	1.2	0.4	0.1	0.7
Gross floor area (sqm)	7,236	7,236	7,236	7,236	7,236
Clean room area (sqm)	1,091	1,091	1,091	1,091	1,163
Number of staff	128	137	138	139	145
Number of workers	255	304	318	333	329

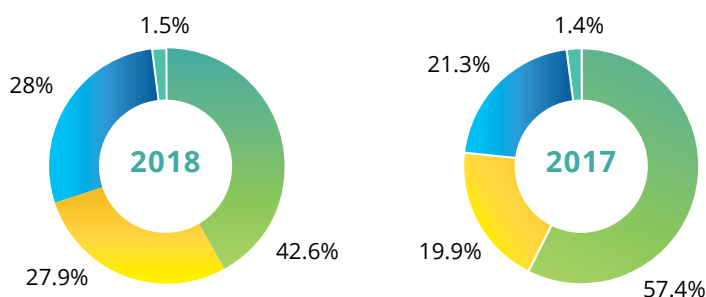
(Figures are based on December of each year.)

FINANCIAL AND OPERATIONS REVIEW

Segmental Financial Highlights

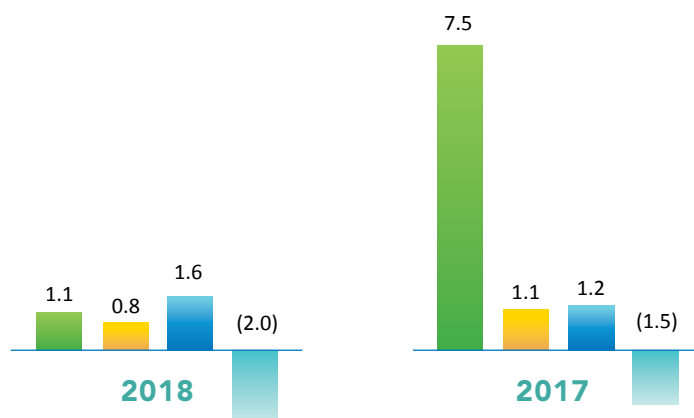
Revenue By Business Segment

Revenue (US\$mn)	FY2018	FY2017	%Change
LCD Backlight Units	38.4	59.8	(35.8)
LCD Parts and Accessories	25.3	20.7	22.2
Office Automation	25.2	22.1	14.0
Others	1.3	1.5	(13.3)



EBIT By Business Segment

EBIT (US\$mn)	FY2018	FY2017	%Change
LCD Backlight Units	1.1	7.5	(82.7)
LCD Parts and Accessories	0.8	1.1	36.4
Office Automation	1.6	1.2	33.3
Others	(2.0)	(1.5)	(33.3)



BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

YOSHIKAWA Makoto

Chairman and Chief Executive Officer

(Appointment: 1 February 2017 Last re-election: 28 April 2017)

Mr Yoshikawa succeeded from Mr URANO Koichi on 30 April 2018. As the Chief Executive Officer, he is responsible for overseeing the overall operations and 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. He has become its sole legal representative since February 2017. He has extensive sales experience in the LCD and backlight business and has exposure in procurement, human resources development and business development. He was appointed as the Group's Chief Operating Officer on 1 May 2016 and was in charge of the overall operations of the Group, particularly in the sales and marketing and new product development functions in existing core business.

The Director does not have any relationship (including immediate family relationships) with any existing Director, existing executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries. He also does not have other principal commitments, or hold any current directorship and past directorship over the preceding three years in other listed companies.



KATO Tomonori

Executive Director and Chief Operating Officer

(Appointment: 30 April 2018)

Mr Kato was appointed as the Group's Chief Operating Officer on 30 April 2018 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 the Life Science and Bio related business development of the Group. After Mr Kato joined TM Japan in March 2003, he was transferred to CD Shanghai. The terms of office as the Legal Representative and a director of CD Shanghai and MT Wuxi from October 2014 and May 2015, respectively, to 2016 when he repatriated back to Japan. He has been an executive officer of TM Japan since February 2017 and has become its director in May 2018. He has extensive sales experience in the LCD and backlight business. He was appointed as a director of TM Bio and A Bio in January 2019 and March 2019, respectively.

The Director does not have any relationship (including immediate family relationships) with any existing Director, existing executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries. He also does not have other principal commitments, or hold any current directorship and past directorship over the preceding three years in other listed companies.



BOARD OF DIRECTORS

DY MO Hua Cheung, Philip

Executive Director and Chief Financial Officer

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

Mr Dy Mo is 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 our 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.

The Director does not have any relationship (including immediate family relationships) with any existing Director, existing executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries. He also does not have other principal commitments, or hold any current directorship and past directorship over the preceding three years in other listed companies.



INDEPENDENT DIRECTORS

CHONG Pheng

Lead Independent Director

(Appointment: 31 May 2011 Last re-election: 28 April 2017)

Mr Chong started his own businesses 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, Share Taxi Pte Ltd and Sinkpia International Pte Ltd; and 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 Organization Learning from the Civil Service College in Singapore.

The Director does not have any relationship (including immediate family relationships) with any existing Director, existing executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries. Save as disclosed above, he also does not have other principal commitments, or hold any current directorship and past directorship over the preceding three years in other listed companies.



BOARD OF DIRECTORS

INDEPENDENT DIRECTORS

LAI Shi Hong, Edward

Independent Director

(Appointment: 5 August 2004 Last re-election: 28 April 2017)

Mr Lai was re-designated from Executive Director to Non-Executive Director in October 2011, and currently served as an Independent Director with effect from 26 February 2015. He has more than 31 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 each of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Association of Chartered Certified Accountants.

The Director does not have any relationship (including immediate family relationships) with any existing Director, existing executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries. Save as disclosed above, he also does not have other principal commitments, or hold any current directorship and past directorship over the preceding three years in other listed companies.



MITANI Masatoshi

Independent Director

(Appointment: 31 May 2011 Last re-election: 30 April 2018)

Mr Mitani is a professional accountant by training and a certified public accountant. He has more than 23 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.

The Director does not have any relationship (including immediate family relationships) with any existing Director, existing executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries. Save as disclosed above, he also does not have other principal commitments, or hold any current directorship and past directorship over the preceding three years in other listed companies.



KEY EXECUTIVE OFFICERS

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.

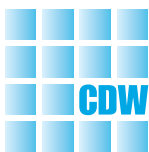
SHINJO Kunihiko

Head of Finance (Group Coordinator)

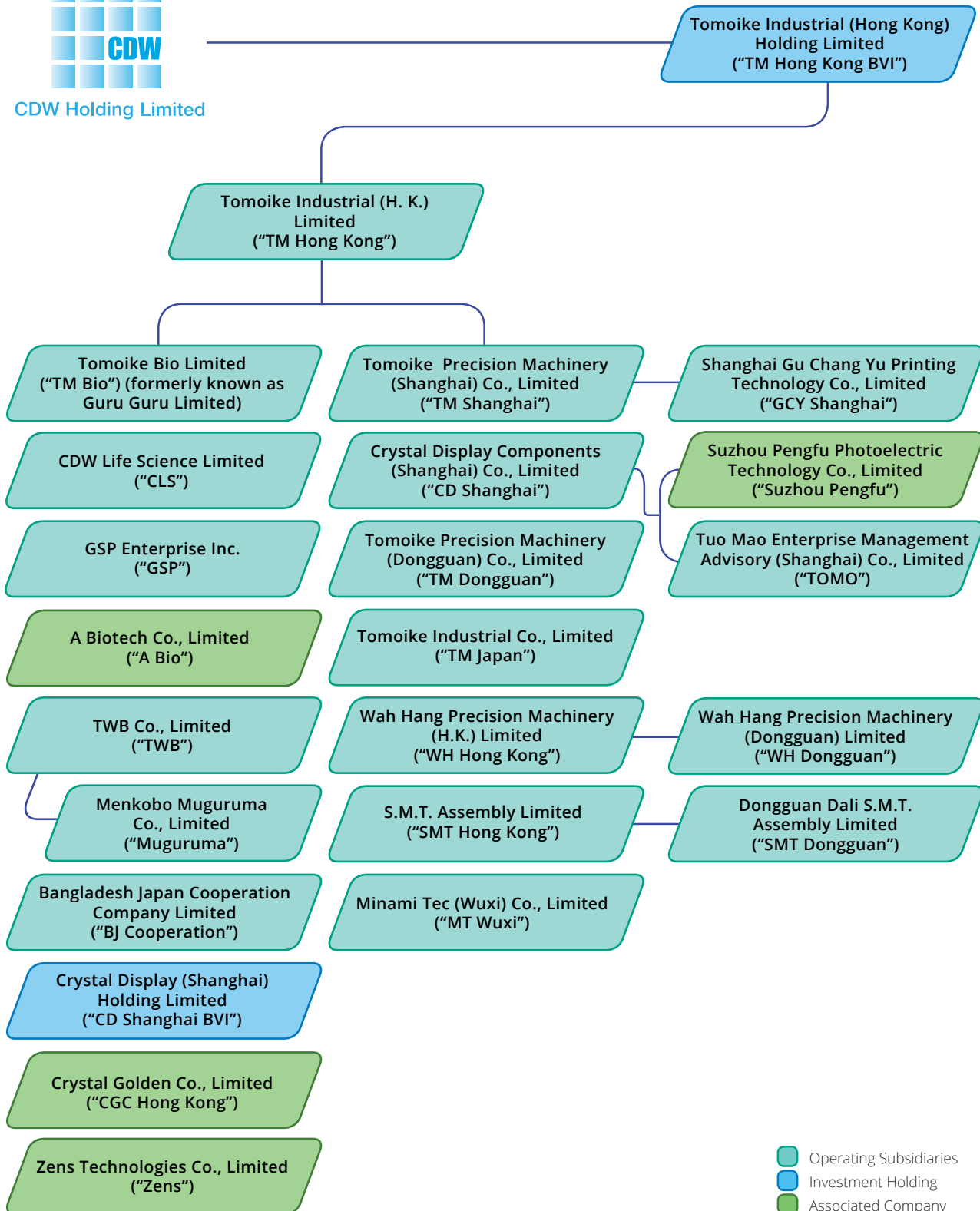
Mr Shinjo is responsible for coordinating financial activities across the Group and establishing relationships with financial institutions overseas. He has more than 32 years of experience in accounting, financial control, treasury management and tax compliance in Japan. He joined our Group as the Branch 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 STRUCTURE



CDW Holding Limited



- Operating Subsidiaries
- Investment Holding
- Associated Company

SUMMARY OF SUSTAINABILITY REPORT 2018

This section serves as a summary of the Sustainability Report 2018 of the Group. The full standalone Sustainability Report 2018 of CDW Holding Limited ("CDW") will be issued by the Group by end of May 2019.

REPORTING APPROACH

The Sustainability Report 2018 is prepared in accordance with SGX-ST Listing Rules 711A and the guidance set out in the Practice Note 7.6: Sustainability Reporting Guide issued by the SGX, while taking reference from the GRI Standards of Global Reporting Initiatives. The reporting focus is on the operation of CDW's business segment of LCD backlight units between January 2018 and December 2018 (the "reporting year"), at the manufacturing facility in Shanghai managed by Crystal Display Components (Shanghai) Co., Limited ("CD Shanghai").

SUSTAINABILITY GOVERNANCE

CDW's Board of Directors is responsible for overall sustainability management of the Group. The Group has commenced the planning of establishing a Sustainability Committee to cope with the emergent sustainability challenges.

SUSTAINABILITY RISKS AND OPPORTUNITIES

CDW considers risk management as an integral part of daily management processes and good corporate governance. The Group's Risk Management Policy sets out the way to respond to imminent risks in an efficient and responsible manner. The Group has identified a range of potential risks and opportunities with the support of external consultants. Further details are provided in the Sustainability Report 2018.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ANALYSIS

Stakeholders' feedback guides the Group to review potential risks and opportunities and formulate corresponding sustainability strategy. CDW, with the support of the external consultancy, has conducted materiality assessment and identified the material topics for CDW and different stakeholder groups. Eight critical issues and six moderate issues in the areas of economy, environment and society identified are addressed in four separate sections in the Sustainability Report 2018.

Report Sections	Material Factors	
Operating Responsibly	Customer Privacy	Critical
	Anti-corruption	Moderate
	Customer Health and Safety	Moderate
	Marketing and Labeling	Moderate
Socio Economic	Socioeconomic Compliance	Critical
Production capacity (units/mth)	Socioeconomic Compliance	Critical

SUMMARY OF SUSTAINABILITY REPORT 2018

Report Sections	Material Factors	
Caring for Employees	Occupational Health and Safety	Critical
	Child Labour	Critical
	Forced or Compulsory Labour	Moderate
	Non-discrimination	Critical
	Training and Development	Critical
Protecting the Environment	Environmental Compliance	Critical
	Water and Effluents	Critical
	Waste	Moderate
	Emissions	-
Engaging the Community	Local Communities	Moderate

The materiality assessment procedures and results are detailed in the Sustainability Report 2018.

2018 IN REVIEW

Operating Responsibly

Upholding the principles of business integrity and ethical operations, CDW aims to offer products that are safe and of consistent quality to its customers. CDW has in place a range of policies and quality assurance procedures to ensure that the products produced and sold by CD Shanghai comply with the applicable regulatory requirements and customers' expectations.

Customer Health and Safety	Customer Privacy
recorded a passing rate of over 96% of in-process inspection	recorded all technical documents with relevant inventories
recorded a qualification ratio of over 98% under first acceptance check	recorded all technical documents with relevant inventories
Customer Communication	Anti-corruption
monitored and evaluated client needs, and market intelligence and feedback	communicated anti-corruption policies and procedures to all employees at CD Shanghai

SUMMARY OF SUSTAINABILITY REPORT 2018

Caring for Employees

As a responsible employer, CDW is committed to ensuring a safety and quality workplace, where labour rights and development opportunities are respected. CDW and CD Shanghai have therefore instituted a set of policies, guidelines and measures in place to support employee performance.

Occupational Health and Safety	Labour Rights
invited representatives of all departments to participate in an evaluation survey to gain insights into improving the safety management system	conducted an employee satisfaction survey
provided training on safety laws and regulations, safety policies and procedures, handling emergencies, and risk identification and assessment results to all employees at CD Shanghai	adopted 10 suggestions on human resources and resource allocation from seven different departments at CD Shanghai
Training and Development	
developed a training plan to support employees' professional development	
achieved 100% completion rate of training	
recorded 100% passing rate in regular performance and career development review	

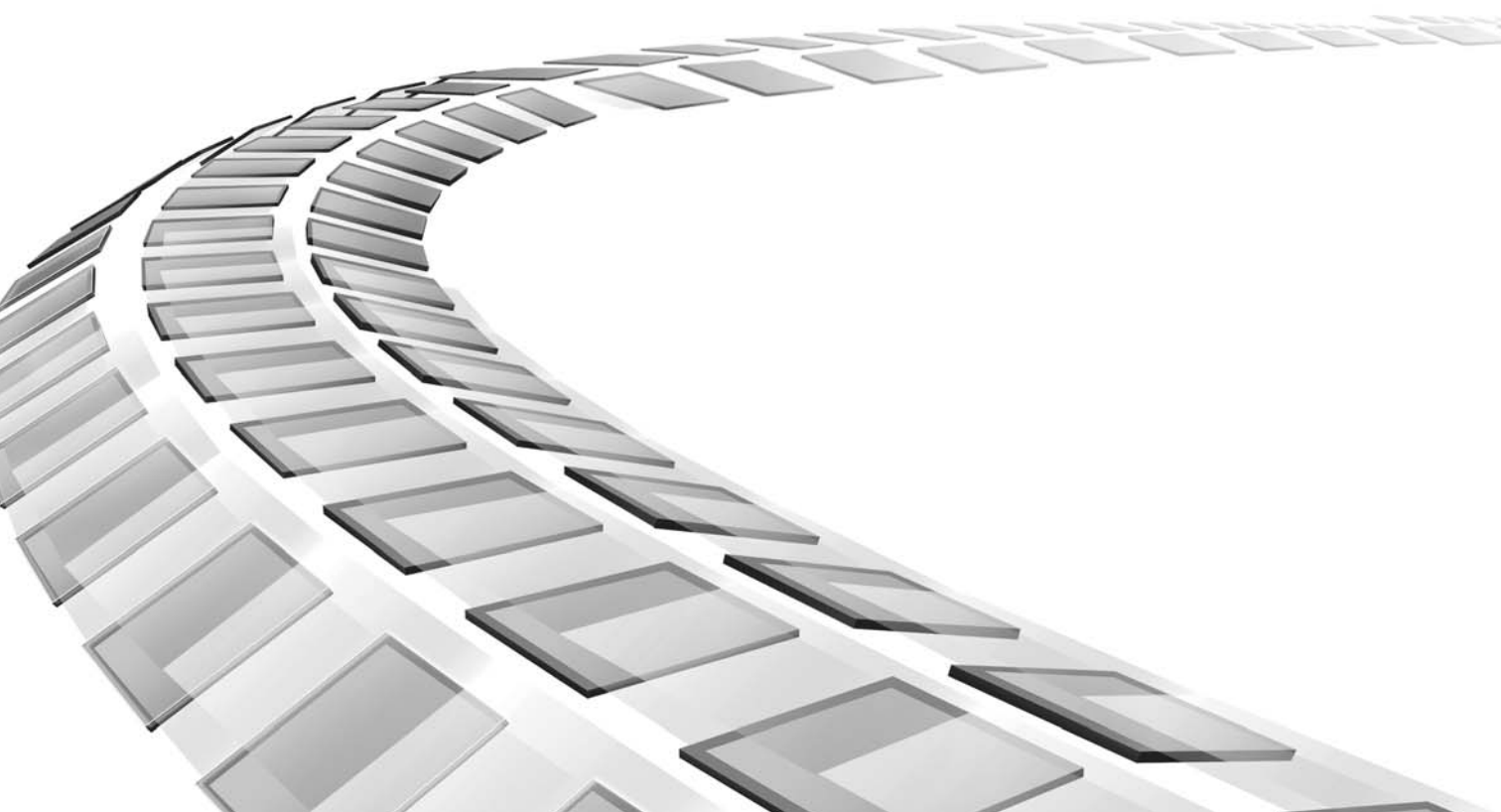
Protecting the Environment

In line with applicable laws and regulations concerning environmental protection, CD Shanghai has articulated a host of policies and procedures to reduce the environmental impacts of its operations brought to the surrounding environment and communities.

Carbon and Air Emissions	Water and Effluents
conducted carbon assessment with the help of the external consultancy	established an environmental law monitoring system reviewing relevant national and regional laws
	closely monitoring of water consumption
Waste	Environmental Compliance
maintained current rate of recycling	actively monitoring the applicable environmental laws, with no cases of non-compliance incurred during the reporting year
on-going monitoring of chemical waste storage, with no spills incurred during the reporting year	

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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 corporate transparency and protect the interests of the Company’s shareholders.

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 of Corporate Governance 2012 (the “Code”), which forms part of the continuing obligations of the Listing Rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”). The Company is guided in its corporate governance practices by the Code, and continues to strive towards maintaining accountability, high standards of corporate governance and corporate transparency. The Company is pleased to confirm that it is substantially in compliance with the Code and reasons for any deviation are explained below.

The Monetary Authority of Singapore issued a revised Code of Corporate Governance 2018 (the “2018 Code”) and accompanying Practice Guidance on 6 August 2018. The 2018 Code supersedes and replaces the Code and will apply to annual reports covering financial years commencing from 1 January 2019. The Company will review and set out the corporate practices in place to comply with the 2018 Code, where appropriate, in the next Annual Report.

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 2018 and as at the date of this report are as follows:

URANO Koichi	(Chairman, Executive Director and Chief Executive Officer – Retired on 30 April 2018)
YOSHIKAWA Makoto	(Chairman, Executive Director and Chief Executive Officer – Appointed as Chief Executive Officer and resigned as Chief Operating Officer on 30 April 2018, and appointed as Chairman on 1 June 2018)
KATO Tomonori	(Executive Director and Chief Operating Officer – Appointed on 30 April 2018)
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)

The Board plays an effective role in leading and controlling the long-term corporate goals and overall strategies and direction of the Group. Through the Board’s leadership, the Group’s businesses are able to achieve sustainable and successful performance. Besides overall responsibility for corporate governance, the Board also oversees the day-to-day management and affairs of the Group and approves important business decisions involving the corporate and strategic directions of the Group. The Board also identifies key stakeholder groups, ensuring accurate, adequate and timely reporting and communication with Shareholders. It also sets the Company’s values and standards (including ethical standards).

The Board’s role includes considering sustainability issues as part of its strategic formulation. Its approach includes considering and balancing the needs and interests of material stakeholders, as part of its overall strategy to ensure that the best interests of the Company are served. The Company is committed to sustainability and incorporates the key principles of environmental and social responsibility, and corporate governance in setting its business strategies and operations. More details will be disclosed in the Company’s sustainability report for the financial year ended 31 December 2018 (“SR 2018”) to be published by end of May 2019. In the meantime, a summary of the SR 2018 is set out on pages 21 to 23 of this Annual Report for informational purposes.

CORPORATE GOVERNANCE REPORT

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. For remuneration matters, the Board, in consultation with and based on recommendations from the Remuneration Committee, reviews and endorses the recommended framework of remuneration for the Board and senior management.

All Directors are expected to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Group. However, to ensure that specific issues are subject to in-depth and timely review, certain functions have been delegated to various Board Committees, which would submit its recommendations or decisions to the Board. The Board Committees constituted by the Board are the Audit Committee ("AC"), Nominating Committee ("NC"), Remuneration Committee ("RC") and the Investment Committee (collectively, the "Board Committees"). Each of these Board Committees has its own terms of reference, which are reviewed on a regular basis. The entire Board retains overall control even though it has established these Board Committees to support to assist it in the discharge of its oversight function and the execution of its responsibilities. The effectiveness of each Board Committee is also constantly reviewed by the Board.

The Company has documented internal guidelines for matters that require Board approval. Matters which are specifically reserved for Board approval and where decisions by the full Board are required are matters where there is a potential conflict of interest involving a substantial shareholder or a Director, material acquisitions and disposal of assets; approval of interested person transactions; corporate or financial restructuring; material investments; considering sustainability issues as part of its strategic formulation; shares issuance; dividend declarations; appointment of new Directors; endorsement of specific remuneration packages for Directors and key management personnel; and the approval of the annual budget, capital management plans, annual reports, financial statements and financial results announcements which require public disclosures; and proposals from Board Committee(s).

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:

KATO Tomonori (Chairman)
YOSHIKAWA Makoto
DY MO Hua Cheung, Philip

The primary function of the Investment Committee is to assist the Board in evaluating potential investment projects which create value for 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 schedule of all Board and Board Committee meetings for each financial year is planned well in advance, in consultation with the Directors.

CORPORATE GOVERNANCE REPORT

The number of meetings held by the Board and Board Committees and attendance for the financial year 2018 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 (Note 1)	1	1	-	-	-	-	-	-
YOSHIKAWA Makoto	4	4	-	-	-	-	-	-
KATO Tomonori (Note 2)	3	3	-	-	-	-	-	-
DY MO Hua Cheung, Philip	4	4	-	-	-	-	-	-
LAI Shi Hong, Edward	4	4	5	5	2	2	1	1
CHONG Pheng	4	4	5	5	2	2	1	1
MITANI Masatoshi	4	4	5	5	2	2	1	1

Notes:

1. URANO Koichi retired at the AGM held on 30 April 2018.
2. KATO Tomonori was appointed at the AGM on 30 April 2018.

The Directors will receive further relevant training as and when appropriate, in particular on the application of new laws and regulations as well as the changing commercial risks which are relevant to the business and operations of the Group. The Directors will also be updated on the business of the Group through regular meetings and informal discussions. During the financial year 2018, some of the external courses attended by the Directors include:-

- i. Duties and Responsibilities of Directors of Listed Company, etc. – conducted by BMI Professional Training Centre Limited;
- ii. Workshop on Common Valuation and Corporate Governance Issues – conducted by the Hong Kong Institute of Certified Public Accountants;
- iii. Credit Risk Management – Internal Control, Information and Portfolio Analysis – conducted by the Hong Kong Institute of Certified Public Accountants; and
- iv. PRC Individual Income Tax Reform Seminar – conducted by Deloitte.

A newly appointed Director will be provided with a formal letter upon appointment, setting out the time commitment required and the director's duties and obligations; and will be briefed and informed on the Board and the Company's policies such as those relating to disclosure of interests in securities; disclosure of conflicts of interest in transactions; restrictions on dealings in the Company's securities; and the disclosure of price-sensitive information. The Company conducts a comprehensive orientation programme to familiarise new directors on the Group's business, operations, organisational structure, and corporate policies. They are also briefed on the Company's corporate governance practices and regulatory environment to assimilate them into their new roles. The orientation programmes are conducted by senior management and, will allow the new Director to get acquainted with senior management, thereby facilitating board interaction and also independent access to the senior management. In order to provide a new Director with a better understanding of the Group's business and operations, senior management will conduct visits to the Group's operating entities as part of the orientation programme. For any Directors who have no prior experience as a director of a listed company in Singapore, they will also attend training courses organised by the Singapore Institute of Directors ("SID") or undergo other training funded by the Company in areas such as accounting, legal and industry-specific knowledge, as and when appropriate.

CORPORATE GOVERNANCE REPORT

During the course of the financial year, there was one (1) incoming director, Mr Kato Tomonori, who was appointed as Executive Director on 30 April 2018 at the Annual General Meeting (“AGM”). Mr Kato has no prior experience as a director of a listed company and in November 2018 attended the course Listed Entity Director Essentials under the Listed Company Director Programme conducted by SID.

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 the Group’s 10% shareholders⁽¹⁾. No individual or small group of individuals should be allowed to dominate the Board’s decision making.

Note:

- (1) Under the Code, the term “10% shareholder” refers to a person who has an interest or interests in one more voting shares in the Company and the total votes attached to that share, or those shares, is not less than ten percent (10%) of the total votes attached to all the voting shares in the Company. “Voting shares” excludes treasury shares.

Presently, the Board comprises three (3) Executive Directors (including the CEO) and three (3) Independent Directors. As Mr Yoshikawa Makoto is currently the Group’s Chairman and Chief Executive Officer (“CEO”), Guideline 2.2 of the Code is met as the Independent Directors make up half of the Board composition. Each Director has been appointed on the strength of his caliber and experience.

The Board, with the assistance of the NC, 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. In line with the Code, taking into account the requirements of the Group’s core businesses and industry in which it operates, the need to avoid undue disruptions from changes to the Board and Board Committees, the NC is of the view that the current size of the Board is not so large as to unwieldy or as to interfere with efficient decision-making. No individual or group dominates the Board’s decision-making process.

The NC will also 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 Independent Directors have also confirmed that they do not have any relationship with the Company or its related companies as set out under Listing Rules 210(5)(d)(i) and 210(5)(d)(ii). The NC 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 was again re-designated and has been serving as an Independent Director from 26 February 2015. Since his re-designation as an Independent Director, Mr Lai Shi Hong, Edward does not have any existing relationship or is associated with any circumstances as set out in Guideline 2.2 of the Code. In addition, the Board noted from the meeting participations of Mr Lai Shi Hong, Edward that his opinions and advice rendered is objective and independent. The Board concurred with the NC’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 proactively seeks to maintain an appropriate balance of expertise, skills and attributes among the Directors. This is also reflected in the diversity of backgrounds and competencies of our Directors, whose competencies range from finance and accounting to relevant industry knowledge, entrepreneurial and management experience. This is beneficial to the Company and its management as decisions by, and discussions with, the Board are enriched by the broad range of views and perspective and the breadth of experience of our Directors. The NC is of the view that there is an appropriate balance of expertise and skills amongst the Directors as they collectively bring with them a broad range of complementary competencies and experience. A summary of the academic and professional qualifications and other appointments of each Director is set out on pages 16 and 18 of this Annual Report.

CORPORATE GOVERNANCE REPORT

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 monitoring the reporting of performance and operations (through budget reports for example) as an appropriate check and balance. The Independent Directors had met twice during the financial year ended 2018 without the presence of Management.

Principle 3: Chairman and Chief Executive Officer (“CEO”)

Mr YOSHIKAWA Makoto is currently the Group’s Chairman and CEO.

The Board is of the view that accountability and independence have not been compromised despite the Chairman and CEO Officer being the same person. With half of the Board comprising independent directors, the Board is of the view that there is a sufficient element of independence and adequate safeguards against a concentration of power in one single person.

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.

As Chairman, Mr Yoshikawa leads the Board and bears responsibility for the workings of the Board, the corporate governance process of the Board of Directors with the support of the Directors and Management, setting the board meeting agenda in consultation with the Executive Directors and Management, and ensures that adequate time is available for discussion of all items on the agenda, in particular strategic issues. The Chairman reviews most board papers before they are presented to the Board of Directors and ensures that board members are provided with adequate and timely information. He encourages active participation and contribution from all Directors and facilitates constructive relations and a culture of openness and debate within the Board and between the Board and Management and facilitates the active contribution of Non-Executive Directors and ensures effective communications with Shareholders.

In his role as CEO, Mr Yoshikawa is responsible for (i) the formulation of the overall business and corporate policies and strategies of the Group; (ii) oversight of the day-to-day management of the business and operations of the Group; and (iii) leading the Group’s business development strategies and efforts.

Given that the Chairman and CEO are the same person, 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 coordinate 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. Before every board meeting, the Lead Independent Director will meet with the Chairman to brief him on the key discussion items considered by each of the AC, NC and RC during their respective board committee meetings. The Lead Independent Director is available to address Shareholders where they have concerns for which contact through normal channels such as the Chairman, the CEO or the chief financial officer of the Company is inappropriate. The Lead Independent Director also has the authority to call and lead meetings of the Independent Directors (without the presence of Management) when necessary and appropriate, and to provide feedback to the Chairman after such meetings. As mentioned in Principle 2 above, the Independent Directors had met twice during the financial year ended 2018 without the presence of Management.

CORPORATE GOVERNANCE REPORT

Principles 4 and 5: Board Membership and Performance

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

The NC comprises all Independent Directors, namely MITANI Masatoshi, CHONG Pheng and LAI Shi Hong, Edward, and is chaired by MITANI Masatoshi.

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 (including alternate directors, if applicable) 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 appointment or election as Directors to the Board having regard to their competencies, commitment, contribution, performance and independence.
- d) To conduct succession-planning, in particular for the Chairman of the Board and CEO.
- 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 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 review the training and professional development programmes for the Board.

The NC will assess the effectiveness of the Board as a whole, its Board Committees and the respective contribution of each Director annually. Whilst Board performance is ultimately reflected in the long-term performance of the Group, the Board believes that engaging in a regular process of self-assessment and evaluation of Board performance in order to identify key strengths and areas for improvement is essential to effective stewardship and to attaining success for the Company.

CORPORATE GOVERNANCE REPORT

The Company has adopted a formal evaluation process. The Board assesses its effectiveness as a whole through the completion of a series of questionnaires by each individual Director. The NC collates the results of these questionnaires and formally discusses these results collectively with other Board members to address any areas for improvement. The Board appraisal process focuses on a set of performance criteria such as the evaluation of the size of the Board and composition of the Board; the Board's access to information; Board processes and accountability; Board effectiveness; Board standards of conduct and financial performance indicators; peer evaluations as well as the contribution of each Director to the effectiveness of the Board. The appraisal process for individual Directors focuses on the areas of interactive skills, knowledge and director's duties, including taking into account each Director's contribution in Board Committee meetings. The Board is of the view that this set of performance criteria allows for appropriate comparison and addresses how the Directors have enhanced long-term Shareholders' value.

In recommending a Director for re-election to the Board, the NC considers, inter alia, the Director's performance and contributions to the Board (including attendance and participation at meetings, and time and effort accorded to the Group's business and affairs). Pursuant to Bye-law 104 of the Company's bye-laws, every Director shall retire from office once every three (3) years. The Company's bye-laws provides that at least one-third (1/3) of the Directors shall retire from office and subject themselves to re-election by Shareholders at every AGM. The NC has reviewed and recommended the re-nomination and re-election of Mr Dy Mo Hua Cheung, Philip and Mr Chong Pheng following their retirement from office at the upcoming AGM pursuant to Bye-law 104. The Board has accepted the recommendation of the NC. The Board's comments on the re-election of Mr Dy Mo Hua Cheung, Philip and Mr Chong Pheng are provided in the "Supplemental Information on Re-election of Directors Pursuant to Listing Rule 720(6)" section of this Annual Report as set out on pages 45 to 55.

Pursuant to Bye-law 107(A), Mr Kato Tomonori will be retiring at the Company's forthcoming AGM and the NC has reviewed and recommended the re-election of Mr Kato Tomonori. Mr Kato Tomonori has contributed significantly to the Group's business, including the strengthening of relationships between key customers and the Group in China and supervising operations of various subsidiaries in China.

In selecting new directors, re-nominating directors for re-election and changes in the composition of the AC, NC and RC, 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/her performance or re-nomination as Director.

Guideline 4.4 of the Code recommends that the Board determines the maximum number of listed companies board appointments, which any Director may hold, and discloses this in the Annual Report. 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). The Board noted that none of the Directors holds more than two (2) directorships in listed companies. In this regard, the NC is satisfied that the Directors have devoted sufficient time and attention to the Group.

The Board takes a view that the reasons for any appointment of an alternate director will be evaluated and such reasons must be justifiable before any alternate director is appointed. There is no alternate director being appointed by the Board for the financial year ended 31 December 2018.

CORPORATE GOVERNANCE REPORT

Key information regarding directors as set out pursuant to Guideline 4.7 of the Code is detailed on pages 16 to 18 of this Annual Report.

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/her 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/her own remuneration package.

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

- a) 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.
- b) As part of its review of the remuneration and benefits policies and practices of the Company, 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;

CORPORATE GOVERNANCE REPORT

- (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.

If necessary, the RC may obtain expert advice from external remuneration consultants when required.

In setting the remuneration packages of the Company's directors (including Non-Executive and Independent Directors) and senior executives, the Company conducts a market survey once every two (2) years and makes a comparative study of the compensation packages of executives in comparable industries or companies listed in Singapore and Hong Kong.

The Company has implemented formal and transparent procedures and policies in relation to executive remuneration and for determining the remuneration packages of individual Directors. The RC's recommendations are submitted for endorsement by the entire Board. Each RC member does not participate in discussions, and abstains from decision-making, in relation to any remuneration, compensation, options or any form of benefits to be granted to him. No Director is involved in deciding his/her own remuneration. The RC has established a framework of remuneration packages for the Board and key executives covering all aspects of remuneration including directors' fees, salaries, allowances, bonuses, options, share-based 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.

In order to maximise Shareholders' value and promote the long-term success of the Group, the Company seeks to attract, retain and motivate the Management and employees by offering competitive remuneration packages. The remuneration of the Management and employees is set based on, inter alia, each individual's scope of responsibilities and prevailing market conditions. The Company rewards the Management and employees based on achievement of individual performance objectives using indicators such as competencies, key result areas, performance ratings and the Group's financial performance. The Board is of the view that performance-based remuneration will motivate the Management and employees to achieve superior performance and promote the long-term growth of the Group.

CORPORATE GOVERNANCE REPORT

The remuneration paid to the Directors, key executive officers and key management personnel for services rendered during the year ended 31 December 2018 are as follows:

DIRECTOR'S REMUNERATION

Name of Directors (Remuneration in SG\$)	Salary	Benefits- in-kind	Directors' Fees	Performance bonus	Share options
URANO Koichi (Note 1) (SG\$169,700)	88%	12%	-	-	-
YOSHIKAWA Makoto (SG\$366,800)	92%	8%	-	-	-
DY MO Hua Cheung, Philip (SG\$312,600)	100%	-	-	-	-
KATO Tomonori (Note 2) (SG\$128,200)	100%	-	-	-	-
CHONG Pheng (SG\$95,000)	-	-	100%	-	-
LAI Shi Hong, Edward (SG\$60,000)	-	-	100%	-	-
MITANI Masatoshi (SG\$60,000)	-	-	100%	-	-

Remuneration of Key Executive Officers and Key Management Personnel (not being Directors)

Remuneration band, Name of Key Executive Officers and Key Management Personnel	Salary	Benefits- in-kind	Directors' Fees	Performance bonus	Share options
SG\$500,000 to SG\$749,999					
CHAN Kam Wah	31%	10%	-	59%	-
Below SG\$250,000					
LEE Haeng Jo (Note 3)	66%	34%	-	-	-
MORITA Michio	60%	33%	-	7%	-
OCHI Shinichi	100%	-	-	-	-
SHINJO Kunihiro	100%	-	-	-	-
WATANABE Katsuhiko	87%	7%	-	6%	-
YAMADA Tomokazu	80%	13%	-	7%	-

Notes:

- The Director's remuneration of Mr Urano was for the period from January 2018 to April 2018 as he retired as Executive Director at the AGM held on 30 April 2018.
- The Director's remuneration of Mr Kato was for the period from May 2018 to December 2018 as he was appointed as Executive Director at the AGM held on 30 April 2018.
- The Key Executive Officer's remuneration of Mr Lee was for the period from January 2018 to April 2018 (the "Period") as he retired as Key Executive Officer on 30 April 2018. The actual remuneration paid to Mr Lee for the Period is SG\$120,400.

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The total remuneration paid to the above key executive officers and key management personnel for the financial year ended 31 December 2018 was approximately SG\$1,581,200.

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 are determined by the RC 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-related incentives linked to the financial performance of the Group and the individual's performance, which is assessed based on the respective key performance indicators allocated to them.

Under the terms of their service agreements, each of the Executive Directors is entitled to an incentive bonus based on, inter alia, the financial performance of the Group and his/her individual performance for that year. The terms of the Executive Directors' service agreements and their remuneration packages are subject to review by the RC.

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

Having reviewed and considered the variable components of the Executive Directors, key executive officers and key management personnel, which are moderate, 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, key executive officers and key management personnel 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 two (2) previous share-based incentive schemes, namely CDW Employees' Share Option Scheme 2013 ("ESOS 2013") and CDW Share Performance Scheme 2013, both of which expired on 30 April 2018. Details of the share options granted under ESOS 2013 can be found on pages 126 and 127 of this Annual Report. On 22 June 2018, the Company had adopted a new share option scheme known as CDW Employee Share Option Scheme 2018 ("ESOS 2018") and a new share performance scheme known as CDW Holding Share Performance Scheme 2018 ("SPS 2018"). The ESOS 2018 and the SPS 2018 comply with the relevant rules as set out in Chapter 8 of Listing Manual of the SGX-ST. The ESOS 2018 and the SPS 2018 will provide eligible participants as defined in the Company's circular dated 6 June 2018 with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The ESOS 2018 and the SPS 2018 are administered by the committee comprising three (3) directors who are members of RC. Details of the ESOS 2018 and the SPS 2018 can be found in the Company's circular dated 6 June 2018.

No share options and performance shares have been granted during the financial year ended 31 December 2018.

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ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

Management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a monthly basis and whenever necessary to enable the Board to make a balanced and informed assessment of the Group's performance.

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. The results and other relevant information on the Company are disseminated via SGXNET and are also available on the Company's website at www.cdw-holding.com.hk.

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 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 businesses, and to safeguard the Shareholders' interests and the Group's assets. Given that the AC directly reports to the Board and 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.

Management is expected to ensure that appropriate controls are in place to manage 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. 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 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.

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During the year, the AC reviewed the adequacy and effectiveness of the Company's internal controls and risk management systems and 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 Board is of the view that the Company's internal controls and risk management system and 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 2018: (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.

Based on the internal controls (including financial, operational, compliance, information technology controls and sustainability) established and maintained by the Group, 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 risk management and internal control systems maintained by the Group is adequate and effective to address financial, operational, compliance and information technology risks and meet 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.

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 functions 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.

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- 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.
- h) 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.
- i) 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.
- j) 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.
- k) 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.
- l) 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).
- m) 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.

CORPORATE GOVERNANCE REPORT

- n) 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.
- o) 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.
- p) 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.
- q) To review the whistle blowing policy of the Company.
- r) To report to the Board its findings from time to time on matters arising and requiring the attention of the Committee.
- s) To review interested person transactions (IPTs) falling within the scope of the Listing Manual.
- t) To approve the hiring, removal, evaluation and compensation of the internal audit function.
- u) 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.
- v) To review the audit representation letters before consideration by the Board, giving particular consideration to matters that related to non-standard issues.
- w) To undertake such other reviews and projects as may be requested by the Board.
- x) 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.

The AC meets at least 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 FY2018, 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:

CORPORATE GOVERNANCE REPORT

Significant matters	How the AC reviewed these matters and what decisions were made
<p><u>Loss of control over a subsidiary</u></p>	<p>The AC considered the approach and methodology applied to a situation where the Group disposed of equity interest in a subsidiary company and lost control of that subsidiary company, but retained certain equity interest in that company with significant influence under which this investment was treated as investment in an associate.</p> <p>In order to properly account for the financial impact of this transaction, the AC would engage an independent firm of external valuer, which was considered to reach an acceptable level of competence, capabilities and objectivity, to assess the fair value of the investment at different stages and of the underlying identifiable assets and liabilities. The AC would evaluate the appropriateness of the market values of the investment at different stages and the market value of underlying identifiable assets and liabilities estimated by the external valuer, based on the AC members' knowledge of the business and industry to which the investment is related.</p> <p>The loss of control over a subsidiary and the related financial impact 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 2018. Please refer to page 63 of this Annual Report.</p>
<p><u>Impairment assessment of property, plant and equipment</u></p>	<p>The AC considered the approach and methodology applied to the impairment assessment of property, plant and equipment when indicators of impairment are identified. It involved determining the recoverable amounts by using value in use calculations based on cash flow forecast, or, where applicable, the fair value less costs to disposal.</p> <p>In the case of value in use calculations, the AC reviewed assumptions used by Management in the cash flow projections, in particular those relating to the forecasted growth rate and discount rate; and compared the projections prepared by Management with the historical performance and the business plan incorporated in the projections.</p> <p>For the fair value less costs to disposal, the AC would engage an independent firm of external valuer after having a satisfactory evaluation of his competence, capabilities and objectivity. It would assess the appropriateness of the market values of the items estimated by the external valuer, based on the AC members' knowledge of the Group's business and industry.</p> <p>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 2018. Please refer to page 64 of this Annual Report.</p>

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<p><u>Impairment assessment of trade receivables</u></p>	<p>The AC considered the approach and methodology applied to the impairment assessment of trade receivables when indicators of impairment are identified. It reviewed ageing of the trade receivables, historical collection patterns, existence of any disputes, trading history with customers and other available information concerning the creditworthiness of customers. The AC also examined the information used by Management to estimate the loss allowance for trade receivables, including assessment of historical default data and evaluation of the adjustment made to the historical loss rates based on current economic conditions and forward-looking information by checking to the published macroeconomics factors.</p> <p>The impairment assessment of trade receivables 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 2018. Please refer to page 64 of this Annual Report.</p>
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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 2018 can be referred to page 107 of this 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 or irregularities in matters of financial reporting, fraudulent acts and other matters to the AC Chairman, and ensure that arrangements are in place for independent investigations of such matters and for appropriate follow up actions by the Chairman. The procedures for raising such whistle blowing concerns can be found at the Company's website at www.cdw-holding.com.hk.

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.

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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, and the internal audit team's quarterly internal audit reports with monthly progress reports submitted to the AC, 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 noncompliance or failures in internal control, 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 (1) 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 independent, 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 charted out an enhanced internal audit plan 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.

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.

The Company's bye-laws allows (i) each Shareholder to vote in person or, appoint not more than two (2) proxies and (ii) the Depository to appoint more than two (2) proxies to attend and vote at general meetings.

CORPORATE GOVERNANCE REPORT

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.

Shareholders are informed of general meetings through the announcements released to the SGXNET and notices contained in the Annual Report or circulars sent to all Shareholders. All Shareholders are entitled to attend the general meetings and are provided the opportunity to participate in the general meetings. If any shareholder is unable to attend, he/she is allowed to appoint not more than two (2) proxies to vote on his/her behalf at the general meeting through proxy forms sent in advance.

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 the Board which includes the chairpersons of each of the Board Committees who are 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.

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.

The Company is not implementing absentia voting methods such as by mail, e-mail, or fax until security integrity and other pertinent issues are satisfactorily resolved.

The Company does not have a formal or fixed dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's performance in the relevant financial period, cash position, projected capital requirements, working capital requirements and others factors as the Board may deem appropriate. As mentioned by the Chairman in his message, we intend to declare and distribute dividends of 0.7 US cents per ordinary share as final dividend for the financial year ended 31 December 2018, making the total annual dividends as 1.1 US cents per ordinary share.

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 year ended 31 December 2018 or entered into since the end of that financial year.

CORPORATE GOVERNANCE REPORT

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 - Payment of advisory fee	260	-
Mr YOSHIMI Koichi - Consideration of disposal of 280,000 shares of A Biotech Co., Limited	2,666	-
Mr YOSHIKAWA Makoto - Consideration of disposal of 120 shares of Tomoike Industrial Co., Limited	10	-
A Biotech Co., Limited - Provision of services under Joint Research and Development and Assistance Agreement	80	-
Total	3,016	-

SUPPLEMENTAL INFORMATION ON RE-ELECTION OF DIRECTORS

PURSUANT TO LISTING RULE 720(6)

Name of Director	DY MO Hua Cheung Philip	CHONG Pheng	KATO Tomonori
Date of first appointment as a Director	28 April 2008	31 May 2011	30 April 2018
Date of last re-appointment/ re-election as a Director	28 April 2016	28 April 2017	Not applicable
Age	57	54	48
Country of principal residence	Hong Kong	Singapore	Japan
The Board's comments on the re-election	<p>Mr Dy Mo Hua Cheung Philip is Chief Financial Officer and is instrumental for the overall management of the Group's financial, management reporting, treasury and compliance functions and processes.</p> <p>The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the contribution, experience and suitability of Mr Dy Mo for re-election as Executive Director.</p>	<p>Mr Chong Pheng is the Lead Independent Director and has continued to discharge his duties well and continued to positively contribute to the Group. He is instrumental in assisting the Board to achieve and maintain effective corporate governance and also serves as an independent channel available to shareholders where they have concerns for which contact through normal channels of the Chairman, Chief Executive Officer or Chief Financial Officer may be inappropriate.</p> <p>The Board of Directors of the Company has considered, among others, the recommendation of the NC and has reviewed and considered the contribution, experience and suitability of Mr Chong for re-election as Non-Executive and Independent Director.</p>	<p>Mr Kato Tomonori is the Chief Operating Officer and has contributed significantly to the Group's business, including the strengthening of relationships between key customers and the Group in China and supervising operations of various subsidiaries in China.</p> <p>The Board of Directors of the Company has considered, among others, the recommendation of the NC and has reviewed and considered the contribution, experience and suitability of Mr Kato for re-election as Executive Director.</p>

SUPPLEMENTAL INFORMATION ON RE-ELECTION OF DIRECTORS

PURSUANT TO LISTING RULE 720(6)

Name of Director	DY MO Hua Cheung Philip	CHONG Pheng	KATO Tomonori
Whether appointment is executive and if so, the area of responsibility	Executive. Mr Dy Mo is the Chief Financial Officer of the Company and he oversees the overall management of the Group's financial and management reporting, budgeting, treasury, internal control, auditing functions and accounting and compliance processes.	Non-executive	Executive. Mr Kato is the Chief Operating Officer and he 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 the Life Science and Bio related business development of the Group.
Job title	<ul style="list-style-type: none"> • Chief Financial Officer • Investment Committee (Member) 	<ul style="list-style-type: none"> • Lead Independent Director • Remuneration Committee (Chairman) • Nominating Committee (Member) • Audit Committee (Member) 	<ul style="list-style-type: none"> • Chief Operating Officer • Investment Committee (Chairman)
Professional qualifications	<ul style="list-style-type: none"> • Bachelor of Commerce (Honours), University of Birmingham, UK • Member of the Hong Kong Institute of Certified Public Accountants • Member of the Institute of Chartered Accountants in England and Wales 	<ul style="list-style-type: none"> • Bachelor of Electronic and Electrical Engineering (First Class Honours), National Defense Academy, Japan • Master of Science Degree in Defense Technology (Electronics), Cranfield University (Royal Military College of Science), England • Graduate Diploma in the Organisation Learning, Civil Service College 	<ul style="list-style-type: none"> • Bachelor of Arts (Honours) in English, Kansai Gaidai University, Japan

SUPPLEMENTAL INFORMATION ON RE-ELECTION OF DIRECTORS

PURSUANT TO LISTING RULE 720(6)

Name of Director	DY MO Hua Cheung Philip	CHONG Pheng	KATO Tomonori
Working experience and occupation(s) during the past 10 years	Mr Dy Mo has more than 20 years of experience in the auditing and accounting profession. He joined as Financial Controller and Head of Administration of the Group in March 2003 and was re-designated as the Chief Financial Officer on 26 February 2015.	<ul style="list-style-type: none"> • Director, Zhong Xing Venture Pte Ltd (From 2007 to Present) • Director, Blue Forest Echo Pte Ltd. (From 2007 to Present) • Independent non-executive Director, CMON Ltd., a listed company on GEM of the Stock Exchange of Hong Kong Limited (From Nov 2016 to Present) • Director, Sinkpia International Pte Ltd. (From 2018 to Present) • Director of Sales and Vice President, Microlight Sensors Pte Ltd. (From Dec 2011 to Jan 2014) • Director, Eurock Limited (Dissolved in Nov 2015) (From 2009 to Nov 2015) • Director, Eurock Resources Pte Ltd. (Struck off in Oct 2013) (From 2010 to Oct 2013) • Director, Eu-Pure Pte Ltd. (Struck off in Feb 2016) (From 2010 to Feb 2016) • Director, HDJ Pte Ltd. (formerly known as Diobas Far East Pte Ltd.) (Struck off in May 2014) (From 2011 to May 2014) • Director, Boko Pte Ltd. (Struck off in Dec 2015) (From 2014 to Dec 2015) 	Mr Kato joined the LCD division in Tomoike Industrial Co., Ltd. ("TM Japan") in 2003 and was engaged in the business activities of packaging materials (tapes etc.) until 2008. From 2011 to 2016, he was involved in backlight business activities and other molded products business in two Chinese subsidiaries of the Group, namely, Crystal Display Components (Shanghai) Co., Ltd. and Minami Tec (Wuxi) Co., Ltd. Since 2016, he is the Executive Officer and the Head Chief of Display Business Division in TM Japan. Concurrently, he is also serving as Head of Business Division at group level, assisting in the overall management of the Group's subsidiaries.

SUPPLEMENTAL INFORMATION ON RE-ELECTION OF DIRECTORS

PURSUANT TO LISTING RULE 720(6)

Name of Director	DY MO Hua Cheung Philip	CHONG Pheng	KATO Tomonori
Shareholding interest in the Company and its subsidiaries	<ul style="list-style-type: none"> 1,176,000 ordinary shares of the Company 500,000 share options to subscribe for the Company's ordinary shares 	<ul style="list-style-type: none"> 250,000 share options to subscribe for the Company's ordinary shares 	<ul style="list-style-type: none"> 500,000 share options to subscribe for the Company's ordinary shares
Any relationship (including immediate family relationships) with any existing Director, existing executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries	No	No	No
Conflict of interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes	Yes
Other principal commitments (including directorships) – Present	<ul style="list-style-type: none"> Director, S.M.T. Assembly Ltd. Director, Zens Technologies Co., Ltd. Director, Xing Hua Consulting Services Ltd. Director, Uni Hope Enterprises Ltd. Director and Owner, Autobarne Ltd. 	<ul style="list-style-type: none"> Director and Owner, Blue Forest Echo Pte Ltd. Director, Zhong Xing Venture Pte Ltd. Director, Share Taxi Pte Ltd. Director, Sinkpia International Pte Ltd. Independent non-executive Director, CMON Ltd. , a listed company on GEM of the Stock Exchange of Hong Kong Ltd. 	<ul style="list-style-type: none"> Director, Tomoike Industrial Co., Ltd. Director, Tomoike Bio Ltd. (formerly known as Guru Guru Ltd.) Director, A Biotech Co., Ltd.

SUPPLEMENTAL INFORMATION ON RE-ELECTION OF DIRECTORS

PURSUANT TO LISTING RULE 720(6)

Name of Director	DY MO Hua Cheung Philip	CHONG Pheng	KATO Tomonori
Other principal commitments (including directorships) – Past, for the last 5 years	<ul style="list-style-type: none"> • Director, Innovation Works Co., Ltd. (From Sep 2014 to May 2016) • Director, Tomoike Bio Ltd. (formerly known as Guru Guru Ltd.) (From Sep 2014 to Jan 2019) 	<ul style="list-style-type: none"> • Director, Eurock Limited (Dissolved in Nov 2015) (From 2009 to Nov 2015) • Director, Eu-Pure Pte Ltd. (Struck off in Feb 2016) (From 2010 to Feb 2016) • Director, HDJ Pte Ltd. (formerly known as Diobas Far East Pte Ltd.) (Struck off in May 2014) (From 2011 to May 2014) • Director, Boko Pte Ltd. (Struck off in Dec 2015) (From 2014 to Dec 2015) 	<ul style="list-style-type: none"> • Director, Tomoike Precision Machinery (Dongguan) Co., Ltd. (From Jul 2014 to Sep 2016) • Director and Legal Representative, Crystal Display Components (Shanghai) Co., Ltd. (From Oct 2014 to Sep 2016) • Director and Legal Representative, Minami Tec (Wuxi) Co., Ltd. (From May 2015 to Nov 2016)
Disclosure on the following matters concerning the Director			
a. Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No

SUPPLEMENTAL INFORMATION ON RE-ELECTION OF DIRECTORS

PURSUANT TO LISTING RULE 720(6)

Name of Director	DY MO Hua Cheung Philip	CHONG Pheng	KATO Tomonori
<p>b. Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?</p>	No	No	No
<p>c. Whether there is any unsatisfied judgement against him?</p>	No	No	No

SUPPLEMENTAL INFORMATION ON RE-ELECTION OF DIRECTORS

PURSUANT TO LISTING RULE 720(6)

Name of Director	DY MO Hua Cheung Philip	CHONG Pheng	KATO Tomonori
d. Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
e. Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No

SUPPLEMENTAL INFORMATION ON RE-ELECTION OF DIRECTORS

PURSUANT TO LISTING RULE 720(6)

Name of Director	DY MO Hua Cheung Philip	CHONG Pheng	KATO Tomonori
f. Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
g. Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No

SUPPLEMENTAL INFORMATION ON RE-ELECTION OF DIRECTORS

PURSUANT TO LISTING RULE 720(6)

Name of Director	DY MO Hua Cheung Philip	CHONG Pheng	KATO Tomonori
h. Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
i. Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
j. Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No

SUPPLEMENTAL INFORMATION ON RE-ELECTION OF DIRECTORS

PURSUANT TO LISTING RULE 720(6)

Name of Director	DY MO Hua Cheung Philip	CHONG Pheng	KATO Tomonori
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No

SUPPLEMENTAL INFORMATION ON RE-ELECTION OF DIRECTORS

PURSUANT TO LISTING RULE 720(6)

Name of Director	DY MO Hua Cheung Philip	CHONG Pheng	KATO Tomonori
k. Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

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 2018.

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 2018 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:

YOSHIKAWA Makoto	(Chairman, Executive Director and Chief Executive Officer – Appointed as Chairman on 1 June 2018 and appointed as Chief Executive Officer on 30 April 2018)
KATO Tomonori	(Executive Director and Chief Operating Officer – Appointed on 30 April 2018)
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, Dy Mo Hua cheung, Philip and Chong Pheng retire, and Dy Mo Hua Cheung, Philip and Chong Pheng, being eligible, offers themselves for re-election.

In accordance with Bye-Laws 107(A) of the bye-laws of the Company, Kato Tomonori retires and Kato Tomonori, 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.

DIRECTORS' STATEMENT

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		Deemed interests	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
The Company				
Ordinary shares of US\$0.04 each (2017: US\$0.04 each)				
YOSHIKAWA Makoto	500,000	500,000	-	-
DY MO Hua Cheung, Philip	1,176,000	1,176,000	-	-
LAI Shi Hong, Edward	300,000	300,000	-	-

	Options to subscribe for ordinary shares	
	At the beginning of financial year	At the end of financial year
The Company		
KATO Tomonori	500,000	500,000
DY MO Hua Cheung, Philip	500,000	500,000
CHONG Pheng	250,000	250,000
LAI Shi Hong, Edward	250,000	250,000
MITANI Masatoshi	250,000	250,000

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

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.

DIRECTORS' STATEMENT

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 was expired on 28 April 2018. The expiry of 2013 Scheme does not affect any options which have been granted thereunder, regardless of whether such options have been exercised (whether fully or partially).

On 22 June 2018, the Company adopted the CDW Employee Share Option Scheme 2018 (the "2018 Scheme") which was approved by the shareholders of the Company pursuant to the resolutions passed on the same date. The 2013 Scheme and 2018 Scheme provide an opportunity for the Group's employees and directors to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance.

The rules of the 2013 Scheme and the 2018 Scheme, are set out in the Company's Circulars dated 12 April 2013 and 6 June 2018. Both schemes are 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 and the 2018 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 last dealt prices for the shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") over the five consecutive market days immediately preceding the date of the grant of the option.

The committee administering the 2013 Scheme and the 2018 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 shall not exceed 15% of the issued share capital of the Company. Share options granted during the period from 1 January to 28 April 2018 and the number of outstanding share options under the 2013 Scheme are as follows:

Date of grant	Balance at 1 January 2018	Cancelled/ Lapsed	Granted	Exercised	Balance at 31 December 2018	Exercise price per share	Exercisable period
30 May 2014	6,750,000	(500,000)	-	-	6,250,000	SG\$0.216	30 May 2016 to 29 May 2019

In respect of share options granted to employee of the Group, 500,000 (2017: 1,750,000) were lapsed and no new options were granted (2017: Nil) during the period from 1 January to 28 April 2018.

The number of share options available under the 2018 Scheme and the Performance Scheme (as defined below) shall not exceed 15% of the issued share capital of the Company. No share options were granted during the period from 22 June to 31 December 2018.

DIRECTORS' STATEMENT

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 and the 2018 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)	Aggregate options outstanding as at the end of financial year
					(Note 1)	
KATO Tomonori (Note 2)	-	1,000,000	-	-	(500,000)	500,000
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

Notes:

- 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 each in the authorised and issued capital of the Company.
- Options granted prior to Mr. KATO Tomonori's appointment as a Director of the Company on 30 April 2018.

7. Share Performance

The Company adopted the CDW Share Performance Scheme 2013 (the "SPS 2013") pursuant to the approval of the Company's shareholder in the Company's special meeting held on 28 April 2013. No grant of awards under the SPS 2013 had been made by the Company since the commencement of the SPS 2013.

After the expiry of SPS 2013 on 28 April 2018, the Company adopted the Share Performance Scheme 2018 (the "SPS 2018") which was approved by the shareholders of the Company pursuant to the resolutions passed on 22 June 2018. The rules of the SPS 2018 are set out in the Company's Circular dated 6 June 2018 and are summarised in note 25(c) to the financial statements. The number of shares available under the SPS 2018 and the 2018 Scheme (as defined above) shall not exceed 15% of the issued share capital of the Company.

DIRECTORS' STATEMENT

7. Share Performance (continued)

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 prescribed, pre-determined performance conditions in terms of 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.

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 2018, 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 auditor's 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 auditor 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.

DIRECTORS' STATEMENT

8. Audit Committee ("AC") (continued)

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 auditor of the Group at the forthcoming AGM of the Company.

9. Auditors

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

On behalf of the Board of Directors

YOSHIKAWA Makoto
Chairman and Chief Executive Officer

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

3 April 2019

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"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, the statements of changes in equity of the Group and the Company and the consolidated statement of profit or loss, the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Group for the year then ended, and notes to the 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 2018 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 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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 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 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 financial statements.

INDEPENDENT AUDITOR'S REPORT

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

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="148 497 515 529"><u>Loss of control over a subsidiary</u></p> <p data-bbox="148 546 743 981">During the year, the Group established a wholly-owned subsidiary, namely A Biotech Co., Limited ("A Bio"). Subsequent to the establishment of A Bio, there were two new allotments of shares from A Bio to third parties, and the Group's shareholding in A Bio was diluted to 82.4%. After the above allotment of the new shares, the Group further disposed of certain of its shares in A Bio (the "Disposal") to an associated person of the controlling shareholder of the Group, and the Group's shareholding in A Bio became 49.4%. As the Group had lost control but still had significant influence over A Bio, the Group ceased accounting for A Bio as a subsidiary, and accounted for A Bio as an associate of the Group upon the Disposal.</p> <p data-bbox="148 1010 743 1268">In order to determine the gain on disposal of A Bio, upon the Group losing control of the subsidiary, and the carrying amount of the 49.4% interest in A Bio (the "Remaining Interest") upon the Disposal, management has made reference to the valuation of the Remaining Interest at the date of the Disposal (the "Valuation on the Remaining Interest") performed by an independent firm of external valuers.</p> <p data-bbox="148 1298 743 1644">In addition, management involved the external valuer to perform a valuation on the fair value of the identifiable assets and liabilities of A Bio upon the Disposal (the "Valuation of Net Assets"), to assist in the determination of the goodwill included in the Remaining Interest (the "A Bio Goodwill"). Management also involved the external valuer to perform a valuation on the fair value of the Remaining Interest as at 31 December 2018 for the purpose of assisting in management's impairment assessment of the Remaining Interest as at 31 December 2018, which included the A Bio Goodwill.</p> <p data-bbox="148 1674 743 1874">The Valuation on the Remaining Interest, the Valuation of Net Assets and the valuation of the Remaining Interest as at 31 December 2018 are complex and include significant judgements and assumptions applied by management, that are affected by expected future market or economic conditions.</p> <p data-bbox="148 1904 743 1959">Related disclosures are included in notes 3, 14 and 28 to the financial statements.</p>	<p data-bbox="766 546 1362 1036">Our audit procedures included, among others, (i) reviewing the share purchase agreement for the terms and conditions of the Disposal; (ii) obtaining an understanding from management about the basis to determine the consideration of the Disposal; (iii) obtaining an understanding from management about their procedures to determine the fair values of (a) the Remaining Interest upon the Disposal, (b) the net identifiable assets and liabilities of A Bio upon the Disposal, and (c) the Remaining Interest as at 31 December 2018; (iv) evaluating the external valuer's competence, capabilities and objectivity; and (v) involving our internal valuation specialists to assist with our evaluation of the valuation methodologies, key assumptions and parameters applied in the valuations.</p>

INDEPENDENT AUDITOR'S REPORT

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

Key audit matter	How our audit addressed the key audit matter
<u>Impairment assessment of property, plant and equipment</u>	
<p>As at 31 December 2018, the Group had property, plant and equipment in the carrying amount of US\$5,897,000, mainly relating to plant and machinery, and leasehold improvements for the manufacturing business of the Group.</p> <p>Due to the decline in the operating results of the Group in recent years, management carried out an impairment assessment of these assets. This involved determining the recoverable amounts as at 31 December 2018 by using value in use calculations based on cash flow forecasts and, where applicable, the fair value less costs to disposal ("FVLCD"). To assist in their determination of the FVLCD, management made reference to a valuation of the key items of property, plant and equipment performed by an independent firm of external valuers.</p> <p>The impairment assessment is complex and includes significant judgements and assumptions applied by management, that are affected by expected future market or economic conditions. An impairment loss of US\$782,000 was recognised during the year.</p> <p>Related disclosures are included in notes 3 and 11 to the financial statements.</p>	<p>Our audit procedures included, among others, involving our valuation specialists to assist us in evaluating the methodologies and assumptions used by management in the cash flow projections, in particular those relating to the forecasted growth rate and discount rate. We also compared the projections prepared by management with the historical performance and the business plans incorporated in the projections.</p> <p>For our procedures on the FVLCD of the applicable items of property, plant and equipment, we have (i) evaluated the external valuer's competence, capabilities and objectivity; and (ii) assessed the appropriateness of the market values of the items of property, plant and equipment estimated by the external valuer, based on our knowledge of the Group's business and industry and the assistance of our valuation specialists.</p>
<u>Impairment assessment of trade receivables</u>	
<p>The carrying amount of the Group's trade receivables was US\$24 million at 31 December 2018. Significant judgement and estimation by management are involved in the assessment of impairment, based on the lifetime expected credit loss to be incurred, by taking into account factors including the ageing of trade receivable balances, the credit quality and credit loss history of debtors. Both current and future general economic conditions are also taken into consideration by management in the estimation. Where the expectation is different from the original estimate, such difference will impact the carrying value of the trade receivables and the loss allowance for trade receivables in the year in which such estimate has been changed.</p> <p>Related disclosures are included in notes 3 and 18 to the financial statements.</p>	<p>Our audit procedures included, among others, evaluating management's methodology and the inputs and assumptions applied by management in performing the impairment assessment. We tested the ageing of the trade receivables and, for a sample of customer balances evaluated the historical collection patterns and post year-end settlements received. In addition, we examined the information used by management to estimate the loss allowance for trade receivables, including testing of the historical default data, evaluating the adjustment made to the historical loss rates based on current economic conditions and forward-looking information by checking to the published macroeconomics factors.</p>

INDEPENDENT AUDITOR'S REPORT

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

Other Information

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

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of 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 financial statements and to maintain accountability of assets.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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. 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 financial statements.

INDEPENDENT AUDITOR'S REPORT

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

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

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

- Identify and assess the risks of material misstatement of the 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 management.
- Conclude on the appropriateness of 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

INDEPENDENT AUDITOR'S REPORT

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the 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 Ka Wing.

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

3 April 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	Group	
		2018 US\$'000	2017 US\$'000
Revenue	4	90,246	104,090
Cost of sales		(70,863)	(76,984)
Gross profit		19,383	27,106
Other income	5	5,245	948
Distribution costs		(1,650)	(2,144)
Administrative expenses	6	(19,518)	(20,204)
Finance costs	7	(239)	(142)
Share of losses of associates		(412)	(88)
Impairment of investment in an associate	14	(231)	(931)
Profit before tax	8	2,578	4,545
Income tax expense	9	(1,794)	(2,822)
Profit for the year		784	1,723
Profit attributable to:			
Owners of the Company		898	1,723
Non-controlling interests		(114)	-
		784	1,723
Earnings per share (US cent)			
Basic	10	0.39	0.75
Diluted	10	0.39	0.75

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	Group	
		2018 US\$'000	2017 US\$'000
Profit for the year		784	1,723
Other comprehensive income/(expense):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(1,328)	1,599
Release of foreign currency translation reserve upon disposal of subsidiaries	28	(1,173)	-
Available-for-sale investments:			
Fair value gain arising during the year	15(a)	-	53
Income tax effect		-	(21)
		(2,501)	1,631
<i>Items that will not be reclassified to profit or loss:</i>			
Equity investments designated at fair value through other comprehensive income:			
Fair value loss arising during the year	15(c)	(495)	-
Income tax effect		79	-
		(416)	-
Other comprehensive income/(expense) for the year, net of tax		(2,917)	1,631
Total comprehensive income/(expense) for the year		(2,133)	3,354
Attributable to:			
Owners of the Company		(1,998)	3,354
Non-controlling interests		(135)	-
Total comprehensive income/(expense) for the year		(2,133)	3,354

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Notes	Group		Company	
		2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	5,897	6,656	-	-
Prepayment for the acquisition of intangible assets	12	861	962	-	-
Investments in subsidiaries	13(a)	-	-	11,334	11,334
Amount due from a subsidiary	13(b)	-	-	16,678	16,693
Investments in associates	14(a)	3,580	446	-	-
Investments	15	1,500	984	-	-
Other assets	16	273	420	-	-
Deferred tax assets	26	130	136	-	-
Total non-current assets		12,241	9,604	28,012	28,027
Current assets					
Inventories	17	10,247	6,863	-	-
Trade and other receivables	18	28,356	27,134	59	80
Amounts due from associates	14(b)	272	-	-	-
Investments	15	2,200	1,023	-	-
Pledged bank deposits	20	148	147	-	-
Cash and bank balances	20	35,465	43,772	119	128
Total current assets		76,688	78,939	178	208
TOTAL ASSETS		88,929	88,543	28,190	28,235
LIABILITIES AND EQUITY					
Current liabilities					
Income tax payable		836	1,342	-	-
Bank borrowings	22	7,886	8,004	-	-
Finance leases	23	23	45	-	-
Trade and other payables	24	21,147	15,948	132	140
Derivative financial instruments	19	-	6	-	-
Amount due to an associate	14(b)	39	-	-	-
Total current liabilities		29,931	25,345	132	140

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Notes	Group		Company	
		2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
NET CURRENT ASSETS		46,757	53,594	46	68
Non-current liabilities					
Bank borrowings	22	500	1,648	-	-
Finance leases	23	71	52	-	-
Retirement benefit obligations	25(a)	320	244	-	-
Deferred tax liabilities	26	626	337	-	-
Total non-current liabilities		1,517	2,281	-	-
TOTAL LIABILITIES		31,448	27,626	132	140
NET ASSETS		57,481	60,917	28,058	28,095
Equity attributable to owners of the Company					
Share capital	29(a)	10,087	10,087	10,087	10,087
Treasury shares	29(b)	(3,752)	(3,431)	(3,752)	(3,431)
Retained earnings		31,296	29,695	2,476	2,157
Reserves	30	19,841	24,557	19,247	19,282
		57,472	60,908	28,058	28,095
Non-controlling interests		9	9	-	-
TOTAL EQUITY		57,481	60,917	28,058	28,095
TOTAL LIABILITIES AND EQUITY		88,929	88,543	28,190	28,235

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

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2018

	Share capital	Share premium of the Company	Share capital reserve	Treasury shares	Employee share option reserve	Merger reserve
	US\$'000	US\$'000	US\$'000	Note 29(b) US\$'000	Note 25(b) US\$'000	Note 30 US\$'000
GROUP						
Balance at 1 January 2017	10,087	18,994	(193)	(2,980)	608	(7,020)
Profit for the year	-	-	-	-	-	-
Other comprehensive income for the year:						
Exchange differences on translation of foreign operations	-	-	-	-	-	-
Change in fair value of available-for-sale investments, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-
Transfer on share options lapsed	-	-	-	-	(127)	-
Shares purchased under Share Purchase Mandate and held in treasury shares	-	-	-	(451)	-	-
Transfer	-	-	-	-	-	-
Dividends paid (Note 37)	-	-	-	-	-	-
Balance at 31 December 2017	10,087	18,994	(193)	(3,431)	481	(7,020)
Effect of adoption of International Financial Reporting Standard 9	-	-	-	-	-	-
Balance at 1 January 2018 (restated)	10,087	18,994	(193)	(3,431)	481	(7,020)
Profit for the year	-	-	-	-	-	-
Other comprehensive expense for the year:						
Exchange differences on translation of foreign operations	-	-	-	-	-	-
Release of foreign currency translation reserve upon disposal of subsidiaries	-	-	-	-	-	-
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income/(expense) for the year	-	-	-	-	-	-
Transfer on share options lapsed	-	-	-	-	(35)	-
Shares purchased under Share Purchase Mandate and held in treasury shares	-	-	-	(321)	-	-
Shares issued to non-controlling shareholders	-	-	-	-	-	-
Disposal of subsidiaries (Note 28)	-	-	-	-	-	-
Transfer	-	-	-	-	-	-
Dividends paid (Note 37)	-	-	-	-	-	-
Balance at 31 December 2018	10,087	18,994	(193)	(3,752)	446	(7,020)

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

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2018

Statutory Reserve Fund Note 30 US\$'000	Enterprise Expansion Fund Note 30 US\$'000	Other reserves Note 30 US\$'000	Fair value adjustment reserve Note 30 US\$'000	Foreign currency translation reserve Note 30 US\$'000	Retained earnings US\$'000	Equity attributable to the owners of the Company US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
6,015	330	1,196	37	3,083	30,146	60,303	9	60,312
-	-	-	-	-	1,723	1,723	-	1,723
-	-	-	-	1,599	-	1,599	-	1,599
-	-	-	32	-	-	32	-	32
-	-	-	32	1,599	1,723	3,354	-	3,354
-	-	-	-	-	127	-	-	-
-	-	-	-	-	-	(451)	-	(451)
-	-	3	-	-	(3)	-	-	-
-	-	-	-	-	(2,298)	(2,298)	-	(2,298)
6,015	330	1,199	69	4,682	29,695	60,908	9	60,917
-	-	-	448	-	331	779	-	779
6,015	330	1,199	517	4,682	30,026	61,687	9	61,696
-	-	-	-	-	898	898	(114)	784
-	-	-	-	(1,307)	-	(1,307)	(21)	(1,328)
-	-	-	-	(1,173)	-	(1,173)	-	(1,173)
-	-	-	(416)	-	-	(416)	-	(416)
-	-	-	(416)	(2,480)	898	(1,998)	(135)	(2,133)
-	-	-	-	-	35	-	-	-
-	-	-	-	-	-	(321)	-	(321)
-	-	623	-	-	-	623	768	1,391
(2,209)	(12)	(638)	-	-	2,859	-	(633)	(633)
-	-	3	-	-	(3)	-	-	-
-	-	-	-	-	(2,519)	(2,519)	-	(2,519)
3,806	318	1,187	101	2,202	31,296	57,472	9	57,481

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

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2018

	Share capital	Share premium	Share capital reserve	Treasury shares Note 29(b)	Employee share option reserve Note 25(b)	Retained earnings	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
COMPANY							
Balance at 1 January 2017	10,087	18,994	(193)	(2,980)	608	1,558	28,074
Profit for the year and total comprehensive income for the year	-	-	-	-	-	2,770	2,770
Transfer on share options lapsed	-	-	-	-	(127)	127	-
Shares purchased under Share Purchase Mandate and held in treasury shares	-	-	-	(451)	-	-	(451)
Dividends paid (Note 37)	-	-	-	-	-	(2,298)	(2,298)
Balance at 31 December 2017 and 1 January 2018	10,087	18,994	(193)	(3,431)	481	2,157	28,095
Profit for the year and total comprehensive income for the year	-	-	-	-	-	2,803	2,803
Transfer on share options lapsed	-	-	-	-	(35)	35	-
Shares purchased under Share Purchase Mandate and held in treasury shares	-	-	-	(321)	-	-	(321)
Dividends paid (Note 37)	-	-	-	-	-	(2,519)	(2,519)
Balance at 31 December 2018	10,087	18,994	(193)	(3,752)	446	2,476	28,058

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	Group	
		2018 US\$'000	2017 US\$'000
Operating Activities			
Profit before tax		2,578	4,545
Adjustments for:			
Interest income	5	(748)	(747)
Finance costs	7	239	142
Net loss/(gain) on disposal of property, plant and equipment	8	(37)	288
Impairment of property, plant and equipment	6	782	-
Decrease in provision for inventories	8	(159)	(455)
Changes in fair value of derivative financial instruments	8	(6)	44
Changes in fair value of held-for-trading investments	8	-	200
Impairment of goodwill	6	116	-
Depreciation of property, plant and equipment	11	1,382	1,324
Share of losses of associates	14	412	88
Gain on disposal of subsidiaries	28	(4,154)	-
Retirement benefit obligations	25(a)	76	91
Impairment of investment in an associate	14	231	931
Operating cash flows before movements in working capital		712	6,451
Changes in working capital:			
Trade and other receivables		489	(7,401)
Amount due to/from associates		35	-
Inventories		(3,245)	(177)
Trade and other payables		5,369	400
Cash generated from/(used in) operations		3,360	(727)
Net income tax paid		(2,115)	(2,458)
Retirement benefit obligations paid		-	(194)
Interest paid		(239)	(142)
Net cash from/(used in) operating activities		1,006	(3,521)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	Group	
		2018 US\$'000	2017 US\$'000
Investing Activities			
Proceeds from disposal of property, plant and equipment		199	205
Purchase of property, plant and equipment *		(2,203)	(961)
Decrease in other assets		73	103
Decrease/(increase) in loans and receivables		(1,192)	208
Additional investment in equity investment designated at fair value through other comprehensive income/available-for-sale investments		(12)	(11)
Interest income received		748	747
Acquisition of a subsidiary	27	199	-
Disposal of subsidiaries	28	(3,277)	-
Proceeds from disposal of a financial asset at fair value through profit or loss		15	-
Net cash from/(used in) investing activities		(5,450)	291
Financing Activities			
Proceeds from shares issued to non-controlling shareholders		1,391	-
Payment for share buyback		(321)	(451)
Proceeds from bank borrowings		21,867	104,995
Repayment of bank borrowings		(23,019)	(101,410)
Repayment of obligations under finance leases		(105)	(91)
Dividends paid		(2,519)	(2,298)
Net cash from/(used in) financing activities		(2,706)	745
Net decrease in cash and cash equivalents		(7,150)	(2,485)
Net effect of currency translation differences		(1,157)	1,231
Cash and cash equivalents at 1 January		43,772	45,026
Cash and cash equivalents at 31 December	20	35,465	43,772

* During the year ended 31 December 2018, the Group acquired property, plant and equipment with an aggregate cost of approximately US\$2,305,000 (2017: US\$1,068,000), of which US\$102,000 was acquired by means of a finance lease (2017: US\$107,000). Cash payment of US\$2,203,000 (2017: US\$961,000) 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 2018

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 Rooms 06 to 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 International Financial Reporting Standards ("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 new and revised standards for the first time for the current year's financial statements.

Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>
IFRS 9	<i>Financial Instruments</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to IFRS 15	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i>
Amendments to IAS 40	<i>Transfers of Investment Property</i>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014-2016 Cycle</i>	Amendments to IFRS 1 and IAS 28

Other than as explained below regarding the impact of IFRS 9 and IFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

- (a) IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) (continued)

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

	IAS 39 measurement		Re-classification	Re-measurement	IFRS 9 measurement	
	Category	Amount US\$'000			Amount US\$'000	Amount US\$'000
Financial assets						
Equity investments designated at fair value through other comprehensive income	N/A	-	984	995	1,979	FVOCI ¹ (equity)
From: Available-for-sale investments (Note (i))			984			
Available-for-sale investments	AFS ²	984	(984)	-	-	N/A
Trade and other receivables	L&R ³	25,350	-	-	25,350	AC ⁴
Pledged bank deposit	L&R ³	147	-	-	147	AC ⁴
Cash and bank balances	L&R ³	43,772	-	-	43,772	AC ⁴
Loan and receivables	L&R ³	1,008	-	-	1,008	AC ⁴
Financial assets at fair value through profit or loss	FVPL ⁵	15	-	-	15	FVPL ⁵
		<u>71,276</u>	<u>-</u>	<u>995</u>	<u>72,271</u>	
Financial liabilities						
Trade and other payables	AC ⁴	15,620	-	-	15,620	AC ⁴
Bank borrowings	AC ⁴	9,652	-	-	9,652	AC ⁴
Finance leases	AC ⁴	97	-	-	97	AC ⁴
Derivative financial instruments	AC ⁴	6	-	-	6	AC ⁴
		<u>25,375</u>	<u>-</u>	<u>-</u>	<u>25,375</u>	

¹ FVOCI: Financial assets at fair value through other comprehensive income

² AFS: Available-for-sale investments

³ L&R: Loans and receivables

⁴ AC: Financial assets or financial liabilities at amortised cost

⁵ FVPL: Financial assets at fair value through profit or loss

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) (continued)

Classification and measurement (continued)

Note:

- (i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

Impairment

IFRS 9 requires an impairment on debt instruments not held at fair value through profit or loss to be recorded based on an expected credit loss ("ECLs") model either on a twelve-month basis or on a lifetime basis. The Group applies the simplified approach and records lifetime expected credit losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group applies the general approach and records twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next 12 months, unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime expected credit losses. Management is of the view that the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs is minimal.

Impact on reserves and retained earnings

The impact of transition to IFRS 9 on reserves and retained earnings is as follows:

	Reserves and retained earnings US\$'000
<u>Fair value adjustment reserve under IFRS 9 and IAS 39</u>	
Balance as at 31 December 2017 under IAS 39	69
Reversal of impairment losses under IAS 39 for equity investments designated at fair value through other comprehensive income previously classified as available-for-sale investments	(289)
Reclassification of deferred tax arose from change in fair value of equity investments designated at fair value through other comprehensive income previously recognised to profit or loss	(42)
Re-measurement of equity investments designated at fair value through other comprehensive income previously measured at cost under IAS 39	995
Deferred tax in relation to the above	(216)
Balance as at 1 January 2018 under IFRS 9	<u>517</u>
<u>Retained earnings</u>	
Balance as at 31 December 2017 under IAS 39	29,695
Reversal of impairment losses under IAS 39 for equity investments designated at fair value through other comprehensive income previously classified as available-for-sale investments	289
Reclassification of deferred tax arose from change in fair value of equity investments designated at fair value through other comprehensive income previously recognised to profit or loss	42
Balance as at 1 January 2018 under IFRS 9	<u>30,026</u>

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- (b) IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract liability account balances between periods and key judgements and estimates. The disclosures are included in note 4 to the financial statements. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition below.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The Group's contracts with customers include only single performance obligation. The Group has concluded that revenue from sale should be recognised at the point of time when a customer obtains control of goods. The Group has concluded that the initial application of IFRS 15 does not have a significant impact on the Group's revenue recognition.

Before the adoption of IFRS 15, the Group recognised advances from customers as other payables. Under IFRS 15, a contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue, or when the Group receives consideration from a customer and expects to refund some or all of that consideration to the customer (i.e. refund liability).

Therefore, upon adoption of IFRS 15, the Group reclassified US\$645,000 from advances from customers included in other payables to contract liabilities as at 1 January 2018 in relation to the short-term advances received from customers as at 1 January 2018. Both advances from customers and contract liabilities are included in trade and other payables.

STANDARDS ISSUED BUT NOT YET EFFECTIVE - The Group has not adopted the following new and revised standards that have been issued but are not yet effective, in these financial statements:

Amendments to IFRS 3	<i>Definition of a Business</i> ²
Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
IFRS 16	<i>Leases</i> ¹
IFRS 17	<i>Insurance Contracts</i> ³
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i> ²
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i> ¹
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i> ¹
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to IFRS 3, IFRS 11, IAS 12, IAS 23 ¹

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ¹ Effective for annual periods beginning on or after 1 January 2019
- ² Effective for annual periods beginning on or after 1 January 2020
- ³ Effective for annual periods beginning on or after 1 January 2021
- ⁴ No mandatory effective date yet determined but available for adoption

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

IFRS 16 requires lessees to recognise most leases on statement of financial position. The standard includes two recognition exemptions for lessees – leases of “low value” assets and short-term leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt IFRS 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of IFRS 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

- (i) its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee’s incremental borrowing rate as of 1 January 2019; or
- (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply IFRS 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics
- The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts IFRS 16 in 2019.

On the adoption of IFRS 16, the Group expects to recognise right-of-use assets of US\$2.1 million and lease liabilities of US\$2.2 million for its leases previously classified as operating leases, with a corresponding decrease in the opening retained earnings of US\$0.1 million and its related tax impact as of 1 January 2019.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest;
- derecognises 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
- reclassifies 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.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUSINESS COMBINATION AND GOODWILL (continued)

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.

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 to 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.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCY (continued)

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.

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 derecognition of the asset is included in profit or loss in the year the asset is derecognised.

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 are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INTANGIBLE ASSETS (continued)

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 derecognition 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.

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 to 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.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

INVESTMENTS IN ASSOCIATES - 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 investments in associates are 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.

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 the associate is included as part of the Group's investment in the associate.

If an investment in the 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 INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets (policies under IFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "revenue recognition (applicable from 1 January 2018)" below.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (policies under IFRS 9 applicable from 1 January 2018) (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, 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.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (policies under IFRS 9 applicable from 1 January 2018) (continued)

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

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 designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Financial assets (policies under IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (policies under IAS 39 applicable before 1 January 2018) (continued)

Initial recognition and measurement (continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, 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.

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 and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss. Interest and dividends earned whilst holding the available-for-sale financial investments are recognised in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (policies under IAS 39 applicable before 1 January 2018) (continued)

Available-for-sale financial investments (continued)

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

DERECOGNITION OF FINANCIAL ASSETS (policies under IFRS 9 applicable from 1 January 2018 and policies under IAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (policies under IFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (policies under IFRS 9 applicable from 1 January 2018) (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

IMPAIRMENT OF FINANCIAL ASSETS (policies under IAS 39 applicable before 1 January 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether 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.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (policies under IAS 39 applicable before 1 January 2018) (continued)

Financial assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

FINANCIAL LIABILITIES (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018) (continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss (policies under IFRS 9 applicable from 1 January 2018)

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 incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at fair value through profit or loss (policies under IAS 39 applicable before 1 January 2018)

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 as defined by IAS 39. 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 the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERECOGNITION OF FINANCIAL LIABILITIES (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

A financial liability is derecognised 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 derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

OFFSETTING OF FINANCIAL INSTRUMENTS (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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.
- 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.

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 amounts 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.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVENTORIES (continued)

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.

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.

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.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 notes 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.

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 (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION (applicable from 1 January 2018) (continued)

Revenue from contracts with customers (continued)

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Sale of industrial products

Revenue from the sale of industrial products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products.

Some contracts for the sale of industrial products provide customers with rights of return. The rights of return gives rise to variable consideration.

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

REVENUE RECOGNITION (applicable before 1 January 2018)

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.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION (applicable before 1 January 2018) (continued)

Sale of goods

Revenue from the sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer, usually upon 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.

CONTRACT ASSETS (applicable from 1 January 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

CONTRACT LIABILITIES (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

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.

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.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAXES (continued)

Deferred tax (continued)

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 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 carryforward 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 carryforward 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 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.

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.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 36, 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;
 - (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.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

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.

Provision 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 provision for inventories as at 31 December 2018 amounted to US\$523,000 (2017: US\$682,000) and 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 2018 and 2017.

Impairment of the investments in associates

Where there are indicators of potential impairment of the investments in the associates, management (i) projects the cash flows of the relevant associate and estimates the recoverable amount by discounting the projected cash flows and terminal value to present value or (ii) involves an external valuer to perform a valuation on the fair value less cost to disposal of the investment in associates as at the end of reporting period. 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 associates of the Group is disclosed in note 14 to the financial statements. At 31 December 2018, an impairment loss of US\$231,000 (2017: US\$931,000) has been recognised for the investments in associates and the carrying amount of the investments in associates was US\$3,580,000 (2017: US\$446,000).

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

Impairment of trade receivables and other receivable

The Group uses a provision matrix to calculate ECLs for trade receivables and other receivables. The provision rates are based on days past due for groups of various customer segments that have similar loss patterns (i.e., by product type and customer type.)

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., inflation) are expected to deteriorate over the next year which can lead to an increased number of defaults in the business sectors which the Group operates, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and other receivables is disclosed in notes 18 to the financial statements.

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. Impairment loss of US\$782,000 (2017: Nil) was recognised for the year ended 31 December 2018.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis and more frequently where there is an indication that the cash-generating unit may be impaired. This requires an estimation of the value in use or the fair value less costs to disposal of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Estimating the fair value less costs to disposal requires the Group to make reference on the market comparables for benchmarking. The carrying amount of goodwill is disclosed in note 21 to the financial statements. Impairment loss of US\$116,000 (2017: Nil) has been recognised as at 31 December 2018.

Loss of control over a subsidiary

During the year ended 31 December 2018, the Group has disposed of certain equity interest in a subsidiary, namely A Biotech Co., Limited ("A Bio"). Considering that the Group lost control over A Bio after the disposal, the Group derecognised A Bio from a subsidiary of the Group, and accounted for A Bio as an associate of the Group since the Group still has significant influence on A Bio.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

Loss of control over a subsidiary (continued)

The Group determines the gain on disposal of A Bio as a subsidiary and the carrying value of the Group's equity interest in A Bio as an associate after the disposal by the fair value of the Group's equity interest in A Bio. Estimating the fair value of the Group's equity interest in A Bio requires the Group to make reference on the market comparables for benchmarking. In addition, management also estimates the fair value of identifiable assets and liabilities of A Bio upon the disposal for determining the goodwill included in the Group's equity interest in A Bio. Estimating the fair value of the identifiable assets and liabilities of A Bio upon the disposal requires the Group to evaluate the valuation methodologies, key assumptions and parameters applied in the valuations by benchmarking market comparables and normal market practice. The carrying amount of Group's equity interest in A Bio and the gain on disposal of A Bio as a subsidiary are disclosed in notes 14 and 28 to the financial statements, respectively.

4. REVENUE

An analysis of revenue is as follows:

	2018 US\$'000	2017 US\$'000
Revenue from contracts with customers		
LCD backlight units	38,408	59,780
Office automation	25,257	22,116
LCD parts and accessories	25,262	20,731
Others	1,319	1,463
	90,246	104,090

Revenue from contracts with customers

(i) Disaggregated revenue information

	LCD backlight units US\$'000	Office automation US\$'000	LCD parts and accessories US\$'000	Others US\$'000	2018 US\$'000
For the year ended 31 December 2018					
Segment					
Sale of goods	38,408	25,257	25,262	1,319	90,246
Geographical markets					
Mainland China	33,692	12,294	8,168	-	54,154
Hong Kong	-	4,681	15,527	1	20,209
Japan	4,716	7,521	1,335	1,308	14,880
Others	-	761	232	10	1,003
	38,408	25,257	25,262	1,319	90,246
Timing of revenue recognition					
Goods transferred at a point in time	38,408	25,257	25,262	1,319	90,246

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

4. REVENUE (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	LCD backlight units US\$'000	Office automation US\$'000	LCD parts and accessories US\$'000	Others US\$'000	2018 US\$'000
For the year ended 31 December 2018					
Segment					
Revenue from contracts with customers					
External customers	38,408	25,257	25,262	1,319	90,246
Intersegment sales	-	395	-	-	395
	38,408	25,652	25,262	1,319	90,641
Intersegment adjustments and eliminations	-	(395)	-	-	(395)
	38,408	25,257	25,262	1,319	90,246

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2018 US\$'000
Revenue recognised that was included in contract liabilities at the beginning of the Reporting period:	
LCD parts and accessories	645

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

4. REVENUE (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of industrial products

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within 30 to 120 days from delivery, except for new customers, where payment in advance is normally required or a credit review is performed before any credit term is granted.

5. OTHER INCOME

	Group	
	2018 US\$'000	2017 US\$'000
Interest income	748	747
Gain on disposal of property, plant and equipment	43	30
Fair value gain on held for trading investments	-	4
Gain on disposal of subsidiaries (Note 28)	4,154	-
Sundry income	300	167
	5,245	948

6. ADMINISTRATIVE EXPENSES

	Group	
	2018 US\$'000	2017 US\$'000
Employee-related expenses	12,412	12,532
Travelling and entertainment expenses	1,449	1,450
Professional fees	1,388	1,438
Rental expenses	1,102	1,385
Utilities and office expenses	986	1,021
Depreciation of property, plant and equipment	387	345
Impairment of property, plant and equipment (Note 11)	782	-
Impairment of goodwill (Note 21)	116	-
Development expenses	100	-
Loss on disposal of property, plant and equipment	6	318
Fair value loss on held-for-trading investments	-	204
Net foreign exchange loss	249	455
Miscellaneous	541	1,056
	19,518	20,204

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

7. FINANCE COSTS

	Group	
	2018 US\$'000	2017 US\$'000
Interest expenses on:		
Bank borrowings	235	139
Obligations under finance leases	4	3
	<u>239</u>	<u>142</u>

8. PROFIT BEFORE TAX

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

	Group	
	2018 US\$'000	2017 US\$'000
Audit fees paid to:		
Auditor of the Company	277	184
Other auditors	228	187
Non-audit fees paid to:		
Auditors of the Company	9	-
Other auditors	4	8
Employee benefit expenses (Note 25)	22,532	23,696
Depreciation of property, plant and equipment (Note 11)	1,382	1,324
Decrease in provision for inventories (Note 17)	(159)	(455)
Inventories recognised as an expense in cost of sales (Note 17)	70,863	76,984
Net loss/(gain) on disposal of property, plant and equipment	(37)	288
Net foreign exchange loss	249	455
Changes in fair value of derivative financial instruments (Note 19)	(6)	44
Changes in fair value of held-for-trading investments (Note 15(e))	-	200
Impairment of property, plant and equipment (Note 11)	782	-
Impairment of investment in an associate (Note 14(a))	231	931
Impairment of goodwill (Note 21)	116	-

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

9. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	Group	
	2018	2017
	US\$'000	US\$'000
Current income tax	1,636	2,813
Deferred tax (Note 26)	158	9
	1,794	2,822

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 2018 and 2017 is as follows:

	Group	
	2018	2017
	US\$'000	US\$'000
Profit before tax	2,578	4,545
Tax at the domestic rates applicable to profits in the countries where the Group operates	1,509	1,463
Adjustments:		
Non-deductible expenses	617	569
Income not subject to taxation	(1,252)	(307)
Tax losses not recognised	375	728
Effect of withholding tax at 5% on the undistributed earnings of the PRC subsidiaries (Note 26)	71	337
Others	474	32
Income tax expense recognised in profit or loss	1,794	2,822

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

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

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	
	2018 US\$'000	2017 US\$'000
Profit attributable to owners of the Company	898	1,723
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for the basic earnings per share computation*	228,895	230,073
Effect of dilutive share options	439	1,046
Weighted average number of ordinary shares for the diluted earnings per share computation*	229,334	231,119

* The weighted average numbers of ordinary shares for basic and diluted earnings per share exclude treasury shares which had been purchased on the SGX-ST under the Share Purchase Mandate (Note 29(b)).

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

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 2017	2,163	12,730	2,851	8,003	870	26,617
Additions	-	813	70	71	114	1,068
Disposals	-	(898)	(262)	(624)	(200)	(1,984)
Exchange differences	74	511	92	419	33	1,129
At 31 December 2017 and 1 January 2018	2,237	13,156	2,751	7,869	817	26,830
Additions	-	1,232	526	405	142	2,305
Acquisition of a subsidiary (Note 27)	-	6	5	19	-	30
Disposals	-	(2,101)	(707)	(136)	(80)	(3,024)
Disposal of a subsidiary (Note 28)	-	(377)	(201)	-	-	(578)
Exchange differences	25	(444)	(75)	(318)	(26)	(838)
At 31 December 2018	2,262	11,472	2,299	7,839	853	24,725
Accumulated depreciation and impairment loss						
At 1 January 2017	520	10,097	2,399	5,842	671	19,529
Depreciation	42	633	131	437	81	1,324
Disposals	-	(558)	(234)	(516)	(183)	(1,491)
Exchange differences	20	363	81	323	25	812
At 31 December 2017 and 1 January 2018	582	10,535	2,377	6,086	594	20,174
Depreciation	48	619	151	480	84	1,382
Disposals	-	(2,008)	(673)	(103)	(78)	(2,862)
Disposal of a subsidiary (Note 28)	-	(18)	(10)	-	-	(28)
Impairment loss	-	81	-	692	9	782
Exchange differences	-	(298)	(42)	(261)	(19)	(620)
At 31 December 2018	630	8,911	1,803	6,894	590	18,828
Net carrying amount						
At 31 December 2017	1,655	2,621	374	1,783	223	6,656
At 31 December 2018	1,632	2,561	496	945	263	5,897

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

11. PROPERTY, PLANT AND EQUIPMENT (continued)

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\$92,000 (2017: US\$97,000). Leased assets are pledged as security for the related finance lease liabilities.

During the year ended 31 December 2018, the Group carried out a review of the recoverable amounts of its items of property, plant and equipment because of the deteriorating in operating results for consecutive years. An impairment loss of US\$782,000 (2017: Nil), representing the write-down of certain items of property, plant and equipment to the recoverable amount was recognised in "Administrative expenses" (Note 6) in profit or loss for the financial year ended 31 December 2018. The recoverable amount of those items of property, plant and equipment was based on the higher of the value in use and the respective fair value less costs to disposal. Value in use is determined using cash flow projections based on financial budgets prepared by management. The key assumptions include the forecasted growth and discount rates applied to future cash flows. The discount rate used at 31 December 2018 was 15%. The fair value less costs to disposal was determined with reference to a valuation performed by an independent firm of valuers using the direct comparison approach and the depreciated replacement cost approach. Changes in any or all of the key assumptions could result in a material change in the carrying amount of property, plant and equipment.

12. PREPAYMENT FOR THE ACQUISITION OF INTANGIBLE ASSETS

	Group	
	2018 US\$'000	2017 US\$'000
Prepayment	861	962

Prepayment for the acquisition of the intangible asset amounting to US\$861,000 (2017: US\$962,000) represents an advance payment for the development of biotech products and the application of their related patents.

13. INVESTMENTS IN SUBSIDIARIES

(a)	Company	
	2018 US\$'000	2017 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 of US\$16,678,000 (2017: US\$16,693,000) included in the Company's non-current assets is unsecured, bears interest at 2% (2017: 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\$16,678,000 (2017: US\$16,693,000).

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

13. INVESTMENT IN SUBSIDIARIES (continued)

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

Name	Place of incorporation/ establishment	Principal activities	Proportion of ownership interest	
			2018 %	2017 %
Held by the Company				
Tomoike Industrial (Hong Kong) Holding Limited ⁽ⁱ⁾ ("TM Hong Kong BVI")	British Virgin Islands ("BVI")	Investment holding	100.0	100.0
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	100.0	100.0
Held by TM Hong Kong				
Tomoike Electronics (Shanghai) Co., Limited ⁽ⁱⁱⁱ⁾ ("TM Pudong")	Shanghai, PRC	Manufacture and trading of parts and precision accessories for LCD modules	-	100.0
Tomoike Precision Machinery (Shanghai) Co., Limited ⁽ⁱⁱⁱ⁾ ("TM Shanghai")	Shanghai, PRC	Manufacture and trading of parts and precision accessories for office equipment and electrical appliances	100.0	100.0
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	100.0	100.0

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

13. INVESTMENT 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	
			2018 %	2017 %
Held by TM Hong Kong (continued)				
Wah Hang Precision Machinery (H.K.) Limited ⁽ⁱⁱ⁾ ("WH Hong Kong")	Hong Kong	Investment holding	100.0	100.0
S.M.T. Assembly Limited ⁽ⁱⁱ⁾ ("SMT Hong Kong")	Hong Kong	Provision of surface mounting technique services in electronic product assembly	100.0	100.0
Minami Tec (Wuxi) Co., Limited ⁽ⁱⁱ⁾ ("MT Wuxi")	Wuxi, PRC	Provision of plastic injection for electronic consumer products and automobiles	100.0	100.0
Crystal Display Components (Shanghai) Co., Limited ⁽ⁱⁱ⁾ ("CD Shanghai")	Shanghai, PRC	Manufacture of LCD backlight units for LCD modules	100.0	100.0
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	100.0	100.0
Guru Guru Limited ⁽ⁱⁱ⁾ ("Guru Guru")	Hong Kong	General trading	100.0	100.0
Tomoike (Shanghai) Agriculture Technology Co., Limited ⁽ⁱⁱ⁾ ("TAT Shanghai")	Shanghai, PRC	Provision of agriculture product management and advisory services	100.0	100.0
TWB Co., Limited ⁽ⁱ⁾ ("TWB")	Osaka, Japan	Provision of food and beverage	99.9	99.9
CDW Life Science Limited ⁽ⁱ⁾ ("CLS Japan")	Osaka, Japan	Provision of Bio-Tech related research and development; manufacture, sales and marketing of healthcare and beauty products; and acquisition and holding of intellectual property	99.8	99.8

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

13. INVESTMENT 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	
			2018 %	2017 %
Held by TM Hong Kong (continued)				
GSP Enterprise Inc. ^{(i) (iii)} ("GSP")	Osaka, Japan	Provision of Bio-Tech related research and development	95.0	–
Held by TM Hong Kong and Guru Guru				
Bangladesh Japan Cooperation Company Limited ⁽ⁱ⁾ ("BJ Cooperation")	Bangladesh	Liaison office, general trading and other businesses	100.0	100.0
Held by WH Hong Kong				
Wah Hang Precision Machinery (Dongguan) Limited ⁽ⁱ⁾ ("WH Dongguan")	Dongguan, PRC	Manufacture and trading of parts and precision accessories for office equipment and electrical appliances	100.0	100.0
Held by SMT Hong Kong				
Dongguan Dali S.M.T. Assembly Limited ⁽ⁱ⁾ ("SMT Dongguan")	Dongguan, PRC	Provision of surface mounting technique services in electronic product assembly	100.0	100.0
Held by TM Shanghai				
Shanghai Gu Chang Yu Printing Technology Co., Limited ⁽ⁱ⁾ ("GCY Shanghai")	Shanghai, PRC	Provision of label printing services	100.0	100.0
Held by TWB				
Menkobo Muguruma Co., Limited ⁽ⁱ⁾ ("Muguruma")	Kagawa, Japan	Provision of food and beverage	100.0	100.0
Held by CD Shanghai				
Tuo Mao Enterprise Management Advisory (Shanghai) Co., Limited ⁽ⁱ⁾ ("TOMO")	Shanghai, PRC	Provision of food and beverage management and advisory services	100.0	100.0

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

13. INVESTMENT IN SUBSIDIARIES (continued)

- (c) Details of the Company's subsidiaries are as follows: (continued)
- (i) Not required to be audited in the respective countries of incorporation but audited for the purpose of incorporation in the consolidated financial statements of the Group by Ernst & Young, Hong Kong or other member firms of the Ernst & Young global network 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 other member firms of Ernst & Young global network in the respective countries
 - (iii) Acquired during the financial year ended 31 December 2018

14. INVESTMENTS IN ASSOCIATES

- (a) The Group's investments in the associates are summarised below:

	Group	
	2018 US\$'000	2017 US\$'000
Share of net assets	1,733	309
Goodwill on acquisition	3,433	1,486
	5,166	1,795
Less: Impairment loss	(1,522)	(1,291)
Exchange differences	(64)	(58)
	3,580	446

Since the associate, Suzhou Pengfu Photoelectric Technology Co., Limited ("Suzhou Pengfu"), has been loss-making since establishment, the directors have assessed the recoverable amount of the Group's investment in this associate as at 31 December 2018 and 31 December 2017 with reference to value in use calculation as at 31 December 2018 and 31 December 2017 (the "Calculation"). The discount rate applied to the projected cash flows was 15.0% (2017: 18.9%). Based on the Calculation, no recoverable amount for Suzhou Pengfu was noted as at 31 December 2018, and therefore an impairment loss of US\$231,000 was recognised to profit or loss for the year ended 31 December 2018 (2017: US\$931,000).

During the year, the Group established a wholly-owned subsidiary, namely A Biotech Co., Limited ("A Bio"). Subsequent to the establishment of A Bio, there were two new allotments of shares from A Bio to third parties, and the Group's shareholding in A Bio was diluted to 82.4%. After the above allotment of the new shares, the Group entered into a share purchase arrangement with an associate person of the Group's controlling shareholder (the "Buyer") for a disposal of 280,000 shares in A Bio, a then subsidiary of the Company, to the Buyer (the "A Bio Partial Disposal"). After the completion of this disposal, the Group's shareholding in A Bio was reduced to 49.4%, and A Bio became an associate of the Group as the Group lost the control over A Bio after the A Bio Partial Disposal. Goodwill of US\$1,947,000 was recognised upon the A Bio Partial Disposal.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

14. INVESTMENTS IN THE ASSOCIATES (continued)

(a) (continued)

The Group has made reference to the valuations performed by an independent firm of professional valuers to determine the fair value of the Group's 49.4% equity value of A Bio (i) at the date of the A Bio Partial Disposal for determining the carrying value of the Group's 49.4% equity interest in A Bio; and (ii) at 31 December 2018 for impairment assessment of the Group's 49.4% equity interest in A Bio. The valuations were based on market approach with reference to the share transactions occurred during the year ended 31 December 2018. Based on the valuation, the carrying value of the Group's 49.4% equity interest in A Bio was US\$3,783,000 at the date of the A Bio Partial Disposal. In addition, the Group has also made reference to the valuation performed by an independent firm of professional valuers to determine the fair value of identifiable assets and liabilities of A Bio upon the A Bio Partial Disposal. Moreover, no impairment indicator was noted for the Group's 49.4% equity interest in A Bio as at 31 December 2018 based on the valuation of the Group's 49.4% equity interest in A Bio as at 31 December 2018.

Particulars of the associates are as follows:

Name	Registered Share capital held	Place of establishment	Principal activity	Proportion of ownership interest
Suzhou Pengfu ⁽ⁱ⁾	RMB 1,080,000	Suzhou, PRC	Manufacture of light guide panels	25.0%
A Bio ⁽ⁱ⁾	KRW 2,100,000,000	Seoul, Korea	Application of biotechnology to research and development of antibody related products, and their manufacture and sale and provision of service	49.4%

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

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

	2018 US\$'000	2017 US\$'000
Share of the associates' loss for the year	412	88
Share of the associates' total comprehensive expense	412	88
Aggregate carrying amount of the Group's investments in the associates	<u>3,580</u>	<u>446</u>

(i) Audited for the purpose of incorporation in the consolidated financial statements of the Group by Ernst & Young, Hong Kong or other member firms of Ernst & Young in the PRC

(b) The amounts due from/to associates are unsecured, non-interest bearing and are repayable within 12 months from the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

15. INVESTMENTS

	Notes	Group	
		2018 US\$'000	2017 US\$'000
Non-current:			
Available-for-sale investments:			
Equity securities (quoted), at fair value	(a)	-	175
Equity securities (unquoted), at cost	(b)	-	809
		-	984
Equity investments designated at fair value through other comprehensive income			
Listed equity investment at fair value			
Sharp Corporation ("Sharp")	(c)	56	-
Unlisted equity investment at fair value			
LGM Co., Limited ("LGM")	(c)	1,444	-
		1,500	-
		1,500	984
Current:			
Loans and receivables, at amortised cost	(d)	2,200	1,008
Held-for-trading investments:			
Equity securities (quoted), at fair value	(e)	-	15
		2,200	1,023

The above equity investments under non-current assets were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

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 prices on the last market day of the year.

During the year ended 31 December 2017, a gain on fair value of US\$53,000 was recorded in other comprehensive income.

- (b) Investment in unquoted equity securities represents an investment in a Korean company, LGM, which offers the Group the manufacturing and distribution rights for its products. No impairment loss was noted as at 31 December 2017.

- (c) During the year ended 31 December 2018, aggregate fair value loss of US\$495,000 and deferred tax impact of US\$79,000 was recognised in other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

15. INVESTMENTS (continued)

Notes (continued)

- (d) During the year ended 31 December 2018, a subsidiary of the Company, TM Hong Kong entered into a trade finance agreement with a third party (the "Borrower") for a loan facility of US\$2,800,000 to the Borrower, carried at an interest rate of 1.4% per month, guaranteed by the controlling shareholder and the sole director of the Borrower. As at 31 December 2018, TM Hong Kong advanced US\$2,200,000 (2017: Nil) to the Borrower which was repayable by monthly installment from January to April 2019. Up to the date of these financial statements, the loan was fully settled by the Borrower.

During the year ended 31 December 2017, TM Hong Kong, entered into a secured trade finance agreement with another third party for a maximum amount of US\$2 million at an interest rate of 1% per month. This secured trade finance agreement was pledged by two residential properties located in Hong Kong. As at 31 December 2018, the amount was fully settled (2017: US\$1,008,000).

- (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 2018, certain securities have been disposal of and no fair value change (2017: loss of US\$200,000) was recorded in profit or loss.

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

	Group	
	2018 US\$'000	2017 US\$'000
Korean Won	1,444	809
US\$	2,200	1,008
	3,644	1,817

16. OTHER ASSETS

	Group	
	2018 US\$'000	2017 US\$'000
Directors' insurance	30	13
Rental deposits	243	407
	273	420

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, incurs a portion of such payments and records a recoverable amount approximating the surrender values of the insurance policy. Upon 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.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

17. INVENTORIES

	Group	
	2018 US\$'000	2017 US\$'000
Consolidated statement of financial position:		
Raw materials	3,727	2,502
Work-in-progress	440	404
Finished goods	6,080	3,957
	10,247	6,863
Consolidated statement of profit or loss:		
Inventories recognised as an expense in cost of sales	70,863	76,984
Inclusive of the decrease in provision for inventories	(159)	(455)

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

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Trade receivables	24,460	24,014	-	-
Other receivables	2,773	1,213	30	52
Prepayments	615	1,540	29	28
Value-added tax recoverable	277	244	-	-
Deposits	231	123	-	-
	28,356	27,134	59	80

Trade receivables

Trade receivables are non-interest-bearing and are generally on terms of ranging from 30 to 120 days (2017: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

18. TRADE AND OTHER RECEIVABLES (continued)

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

	Group	
	2018 US\$'000	2017 US\$'000
Japanese Yen ("JPY")	16	35
US\$	17,507	19,489
Renminbi ("RMB")	46	-
Singapore Dollars ("SG\$")	29	52

The Group has trade receivables amounting to US\$1,868,000 (2017: US\$1,475,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and their ageing analysis at the end of the reporting period is as follows:

	Group	
	2018 US\$'000	2017 US\$'000
Trade receivables past due but not impaired:		
Less than 30 days overdue	1,743	1,017
30 to 60 days overdue	112	242
Over 60 days overdue	13	216
	1,868	1,475

Impairment under IFRS 9 for the year ended 31 December 2018

ECLs are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. No loss allowance was provided as at 31 December 2018 as there was no recent history of default and the ECLs are considered to be minimal.

Impairment under IAS 39 for the year ended 31 December 2017

No impairment was provided as at 31 December 2017.

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under IAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

19. DERIVATIVE FINANCIAL INSTRUMENTS

	Group					
	2018			2017		
	Contract amount US\$'000	Assets US\$'000	Liabilities US\$'000	Contract amount US\$'000	Assets US\$'000	Liabilities US\$'000
Foreign currency options contracts	-	-	-	2,300	-	6

The Group had not entered into foreign currency options contracts with banks as at 31 December 2018.

During the year ended 31 December 2017, the Group entered into foreign currency options contracts with banks to manage its foreign exchange exposures. Under the contracts, the Group had the option to buy Hong Kong dollars ("HKD") with US\$, buy SG\$ with US\$ and buy US\$ with JPY at a fixed rate and similarly, the banks had the option to buy US\$ with HKD, buy US\$ with SG\$ and buy JPY with US\$ at the same rate. In 2017, the foreign currency options contracts had maturity dates from August 2017 to July 2018.

Changes in fair value of the foreign currency options contracts amounting to US\$6,000 (2017: US\$44,000 charged) were credited to profit or loss.

20. CASH AND BANK BALANCES

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Cash at banks and on hand	21,396	27,543	119	128
Short-term deposits	14,217	16,376	-	-
	35,613	43,919	119	128
Less: Pledged bank deposit	(148)	(147)	-	-
	35,465	43,772	119	128

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 earns interest at the respective short-term deposit rates. The weighted average effective interest rate as at 31 December 2018 for the Group was 1.6% (2017: 1.19%) per annum.

A fixed deposit of US\$148,000 (2017: US\$147,000) was placed as security for banking facilities. This fixed deposit earns interest at an average rate of 0.75% (2016: 0.54%) per annum and will mature in 9 months (2016: 9 months) after the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

20. CASH AND BANK BALANCES (continued)

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

	Group	
	2018	2017
	US\$'000	US\$'000
JPY	423	459
US\$	14,788	18,124
RMB	5,738	7,889
SG\$	96	101

21. GOODWILL

	Group US\$'000
Cost	
At 1 January 2017, 31 December 2017 and 1 January 2018	1,516
Acquisition of a subsidiary	116
As at 31 December 2018	<u>1,632</u>
Accumulated impairment	
At 1 January 2017, 31 December 2017 and 1 January 2018	(1,516)
Impairment during the year	(116)
As at 31 December 2018	<u>(1,632)</u>
Net carrying amount	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	<u><u>-</u></u>

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 TM Japan and GSP as two separate CGUs.

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

During the year ended 31 December 2018, goodwill arising from the acquisition of GSP was fully impaired upon acquisition of GSP as management is of the view that GSP is a cost centre of research and development of the Group. The recoverable amount has been determined based on a value in use calculation by using cash flow projects based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 11.5%, and growth rate of 1.4% was used to the cash flow projections. Based on the calculation of the recoverable amount, the carrying value of the goodwill arising from the acquisition of GSP was minimal as at 31 December 2018 and therefore an impairment loss of US\$116,000 was recognised to profit or loss for the year ended 31 December 2018 (2017: Nil).

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

22. BANK BORROWINGS

	Maturity	Group	
		2018 US\$'000	2017 US\$'000
Current:			
Bank borrowings, unsecured	2019 (2017: 2018)	7,886	8,004
Non-current:			
Bank borrowings, unsecured	2021 (2017: 2019)	500	1,648
Total bank borrowings		<u>8,386</u>	<u>9,652</u>

The bank borrowings are unsecured and bear interest at rates ranging from 0.28% to 4.10% (2017: 0.28% to 2.65%) per annum.

Bank borrowings amounting to US\$6,736,000 (2017: US\$6,414,000) are unsecured and carry variable interest rates quoted by the banks with reference to their cost of fund.

Bank borrowings amounting to US\$1,650,000 (2017: US\$3,238,000) are unsecured and carry fixed interest rates.

Management considered the fair value of the Group's fixed rate bank borrowings is US\$1,642,000 (2017: US\$3,248,000).

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

	Group	
	2018 US\$'000	2017 US\$'000
US\$	7,738	8,498
HKD	-	128
	<u>7,738</u>	<u>8,626</u>

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

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:

	Minimum lease payments		Group Present value of minimum lease payments	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
Amounts payable:				
Within one year	24	46	23	45
In the second to fifth years, inclusive	72	54	71	52
	96	100	94	97
Less: Future finance charges	(2)	(3)		
Present value of lease obligations	94	97		
Portion classified as current liabilities	(23)	(45)		
Non-current portion	71	52		

The borrowing rate is 1.50% (2017: 1.50% to 2.98%) 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\$91,000 (2017: US\$97,000).

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 the foreign currency of the respective entities at 31 December are as follows:

	Group	
	2018 US\$'000	2017 US\$'000
US\$	-	80

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Trade payables	17,161	11,116	-	-
Other payables	2,580	3,266	50	47
Contract liabilities	344	-	-	-
Accruals	1,062	1,566	82	93
	<u>21,147</u>	<u>15,948</u>	<u>132</u>	<u>140</u>

Trade payables

Trade payables are non-interest-bearing and are generally settled on terms of 30 to 120 days (2017: 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	
	2018 US\$'000	2017 US\$'000
JPY	77	52
US\$	6,566	4,822
RMB	<u>33</u>	<u>119</u>

Contract liabilities

Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	Group		Company	
	31 December 2018 US\$'000	1 January 2018 US\$'000	31 December 2018 US\$'000	1 January 2018 US\$'000
Short-term advances received from customers				
Sales of goods	<u>344</u>	<u>645</u>	<u>-</u>	<u>-</u>

Contract liabilities include short-term advances received from customers to deliver industrial products. The decrease in contract liabilities in 2018 was mainly due to utilisation of the advances from customers upon delivery of goods.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

25. EMPLOYEE BENEFITS

	Note	Group	
		2018 US\$'000	2017 US\$'000
Employee benefit expenses, including directors:			
Salaries and bonuses		20,269	21,244
Defined contribution plans		2,187	2,361
Defined retirement benefit plan	(a)	76	91
		<u>22,532</u>	<u>23,696</u>

(a) Retirement benefit obligations

TM Japan maintains an unfunded defined retirement benefit plan for its directors. The amount for the year of approximately US\$76,000 (2017: US\$91,000) has been charged to profit or loss. The retirement benefit obligations with a carrying amount of US\$320,000 (2017: US\$244,000) 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, the required disclosures under IAS 19 *Employee Benefits* are not necessary.

(b) Share-based payments – Share options

During the year ended 31 December 2018, the Company has two share option schemes (2017: one), CDW Employees' Share Option Scheme 2013 (the "2013 Scheme") which was expired on 28 April 2018, and CDW Employee Share Option Scheme 2018 (the "2018 Scheme"), for all employees and directors of the Group. Both option schemes are 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 last dealt prices for the shares of the Company on the SGX-ST for the five consecutive market days immediately 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
<u>2013 Scheme</u>					
Issued on 30 May 2014	8,500,000	30 May 2014	29 May 2019	SG\$0.216	US\$0.08

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

25. EMPLOYEE BENEFITS (continued)

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

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

Date of grant	Group and Company						Exercisable period
	Balance at beginning of financial year	Cancelled/lapsed	Granted	Exercised	Balance at the end of financial year	Exercise price per share	
<u>2013 Scheme</u>							
30 May 2014	6,750,000	(500,000)	-	-	6,250,000	SG\$0.216	30 May 2016 to 29 May 2019

As at 31 December 2018, the number of share options amounted to 6,250,000 (2017: 6,750,000) which had weighted average remaining contractual lives of approximately 0.4 year (2017: 1.4 years).

The fair value of the share options granted under the 2013 Scheme was 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.

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 the 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 2018 Scheme, there is no grant of share option during the year ended 31 December 2018.

For the year ended 31 December 2018, the Group did not recognise any equity-settled share-based payment expense (2017: Nil).

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

25. EMPLOYEE BENEFITS (continued)

(c) Share-based payments – Share performance

The Company has a share performance scheme, CDW Share Performance Scheme 2013 (the “SPS 2013”), for all employees and directors of the Group. Subsequently to the expiry of SPS 2013 on 28 April 2018, the Company adopted CDW Share Performance Scheme 2018 (the “SPS 2018”). The SPS 2018 was approved by the Company’s shareholders in a special general meeting held on 22 June 2018, and is administrated by the committee comprising three directors who are the members of RC. An award granted under the SPS 2018 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 2018 and 2017, no Awards were granted to any employees and directors under the SPS 2013 or the SPS 2018.

26. DEFERRED TAX

	Group			
	Consolidated statement of financial position		Consolidated statement of profit or loss	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
Deferred tax liabilities				
Withholding tax on undistributed earnings of the PRC subsidiaries (Note 9)	(71)	(337)	266	(33)
Fair value gain on equity investments designated at fair value through other comprehensive income	(140)	-	-	-
Fair value adjustment arising from disposal of a subsidiary	(415)	-	(415)	-
	(626)	(337)	(149)	(33)
Deferred tax assets				
Difference in depreciation for tax purposes	1	(10)	10	-
Directors’ insurance	(1)	1	(1)	(18)
Retirement benefit obligations	-	-	-	(33)
Others	130	145	(18)	75
	130	136	(9)	24
	(496)	(201)		
Deferred tax charge (Note 9)			(158)	(9)

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

26. DEFERRED TAX (continued)

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 2018 (2017: 5%).

Unrecognised tax losses

At the end of the reporting period, the Group had tax losses of approximately US\$9,923,000 (2017: US\$9,237,000) 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 (2017: Nil) attached to the dividends to the shareholders proposed by the Company that are recognised as liabilities in the financial statements (Note 37).

27. ACQUISITION OF A SUBSIDIARY

On 5 January 2018, the Group acquired a 95% equity interest in GSP, a limited liability company established in Japan at a cash consideration of JPY14,250,000 (approximately US\$126,000).

The fair values of the identifiable assets and liabilities of GSP as at the date of acquisition were as follows:

	US\$'000
Property, plant and equipment	30
Other assets	7
Cash and bank balances	325
Trade and other payables	(351)
Total identifiable net assets at fair value	11
Non-controlling interest	(1)
	10
Goodwill	116
Satisfied by cash	126
An analysis of the cash flow in respect of the acquisition of a subsidiary is as follows:	
Cash consideration received	(126)
Cash and cash equivalents acquired	325
Net cash inflow arising on acquisition	199

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

27. ACQUISITION OF A SUBSIDIARY (continued)

Management is of the view that the transaction costs of the acquisition was minimal.

Since the acquisition, GSP contributed loss of US\$3,000 to the Group's profit for the year ended 31 December 2018, whereas no revenue was contributed by GSP for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been US\$90.2 million and US\$0.8 million, respectively.

28. DISPOSAL OF SUBSIDIARIES

The assets and liabilities of subsidiaries disposed of during the year were as follows:

	TM Pudong US\$'000	A Bio US\$'000	Total US\$'000
Property, plant and equipment	–	550	550
Other assets	–	81	81
Cash and bank balances	2,365	3,322	5,687
Inventories	–	20	20
Trade and other receivables	424	82	506
Trade and other payables	(326)	(195)	(521)
Amount due to TM Hong Kong	–	(268)	(268)
	<u>2,463</u>	<u>3,592</u>	<u>6,055</u>
Cash consideration	1,954	2,666	4,620
Fair value of interest retained (Note 14(a))	–	3,783	3,783
Less: Net assets disposed of	(2,463)	(3,592)	(6,055)
Add: Realisation of foreign currency translation reserve	1,430	(257)	1,173
Non-controlling interest	–	633	633
Gain on disposal	<u>921</u>	<u>3,233</u>	<u>4,154</u>

An analysis of the cash flow in respect of the disposal of subsidiaries is as follows:

	TM Pudong US\$'000	A Bio US\$'000	Total US\$'000
Cash consideration received	1,877	533	2,410
Cash and cash equivalents disposed of	(2,365)	(3,322)	(5,687)
Net cash outflow arising on disposal	<u>(488)</u>	<u>(2,789)</u>	<u>(3,277)</u>

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

29. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	2018		2017	
	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

As at 31 December 2018, 24,362,802 (2017: 22,532,202) of ordinary shares included in the above shares had been purchased on the SGX-ST under the Share Purchase Mandate and held as 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 adopted employee share option scheme under which options to subscribe for the Company's ordinary shares have been granted to employees of the Group as at 31 December 2018 and 2017.

(b) Treasury shares

	Group and Company			
	2018		2017	
	Number of ordinary shares '000	US\$'000	Number of ordinary shares '000	US\$'000
At 1 January	22,532	3,431	19,947	2,980
Shares purchased under Share Purchase Mandate and held in treasury shares	1,831	321	2,585	451
At 31 December	24,363	3,752	22,532	3,431

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

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

30. 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 boards 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 equity investments designated at fair value through other comprehensive income (2017: 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.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

31. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year

	Notes	Group	
		2018 US\$'000	2017 US\$'000
Controlling shareholder:			
Advisory fee	(i)	260	262
Director:			
Sales of certain number of shares in TM Japan	(ii)	10	-
Associates:			
Research and development expenses	(i)	80	-
Purchase of products	(iii)	518	1,882

Notes:

- (i) The transactions were entered into between the Group and the relevant parties at a mutually agreed terms.
- (ii) On 27 September 2018, 120 shares of TM Japan were transferred by the Group to a director at a mutually agreed terms.
- (iii) The Group has purchased goods from Suzhou Pengfu according to the conditions offered by the associate to their major customers

Compensation of directors and key management personnel

	Group	
	2018 US\$'000	2017 US\$'000
Salaries, allowances and benefits in kind	2,021	2,008
Defined contribution plans	37	33
	<u>2,058</u>	<u>2,041</u>
Comprise amounts paid to:		
Directors of the Company	885	1,184
Other key management personnel	1,173	857
	<u>2,058</u>	<u>2,041</u>

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

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Year ended 31 December 2018

32. 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 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 2018, amounted to US\$2,003,000 (2017: US\$2,241,000).

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

	Group	
	2018	2017
	US\$'000	US\$'000
Not later than one year	1,280	1,659
Later than one year but not later than five years	1,336	898
	<u>2,616</u>	<u>2,557</u>

33. 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 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 their entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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Year ended 31 December 2018

33. FAIR VALUES OF ASSETS AND LIABILITIES (continued)

Financial assets and financial 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:

	2018			Total US\$'000
	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	
Group				
Assets measured at fair value				
Financial assets:				
Equity investments designated at fair value through other comprehensive income (Note 15)				
Listed equity investment at fair value	56	-	-	56
Unlisted equity investment at fair value	-	-	1,444	1,444
Financial assets as at 31 December 2018	56	-	1,444	1,500

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

33. FAIR VALUES OF ASSETS AND LIABILITIES (continued)

Financial assets and financial liabilities measured at fair value (continued)

	2017			Total US\$'000
	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	
Group				
Assets measured at fair value				
Financial assets:				
Available-for-sale financial assets (Note 15)				
Equity securities (quoted)	175	-	-	175
Held-for-trading financial assets (Note 15)				
Equity securities (quoted)	15	-	-	15
Financial assets as at 31 December 2017	190	-	-	190
Financial liabilities:				
Derivative financial instruments (Note 19)				
Foreign currency options contracts	-	6	-	6
Financial liabilities as at 31 December 2017	-	6	-	6

Level 2 fair value measurements

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.

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Year ended 31 December 2018

33. FAIR VALUES OF ASSETS AND LIABILITIES (continued)

Financial assets and financial liabilities measured at fair value (continued)

Level 3 fair value measurements

The movements in fair value measurements within Level 3 during the year are as follows:

	2018 US\$'000
Equity investment designated at fair value through other comprehensive income	
Unlisted equity investment at fair value	
At 1 January	-
Effect of adoption of IFRS 9	1,979
At 1 January (restated)	1,979
Total loss recognised in other comprehensive expense	(535)
At 31 December	1,444

During the year ended 31 December 2018, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3.

Financial assets and financial 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 2018 and 2017 but for which fair value is disclosed:

	2018				
	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					
Loans and receivables	-	-	2,200	2,200	2,200
Liabilities					
Fixed rate bank borrowings	-	1,642	-	1,642	1,650
Obligations under finance leases	-	91	-	91	94

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Year ended 31 December 2018

33. FAIR VALUES OF ASSETS AND LIABILITIES (continued)

Financial assets and financial liabilities not carried at fair value but for which fair value is disclosed (continued)

2017					
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					
Loans and receivables	-	-	1,008	1,008	1,008
Liabilities					
Fixed rate bank borrowings	-	3,248	-	3,248	3,238
Obligations under finance leases	-	97	-	97	97
2018					
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
Company					
Assets					
Amount due from a subsidiary	-	16,678	-	16,678	16,678

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Year ended 31 December 2018

33. FAIR VALUES OF ASSETS AND LIABILITIES (continued)

Financial assets and financial liabilities not carried at fair value but for which fair value is disclosed (continued)

	2017				
	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					
Assets					
Amount due from a subsidiary	-	16,693	-	16,693	16,693

Determination of fair value

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 2018 and 2017 was assessed to be insignificant. The credit risk of the amount due from a subsidiary was considered insignificant.

Non-financial assets measured at fair value

	2018				
	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
Group					
Assets					
Property, plant and equipment	-	-	521	521	521

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Year ended 31 December 2018

33. FAIR VALUES OF ASSETS AND LIABILITIES (continued)

Non-financial assets measured at fair value (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of non-financial assets under level 3 fair value measurement as at 31 December 2018.

	Note	Valuation techniques	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Property, plant and equipment	(i)	Depreciated replacement cost approach	Discount for obsolescence	Nil	Higher the discount, lower the fair value
			Depreciation	10% to 90%	Higher the depreciation, lower the fair value
		Direct comparison approach	Secondhand market value	Not applicable	Higher the secondhand market value, higher the fair value

Note:

- (i) For the year ended 31 December 2018, the carrying amount of certain plant and machinery, leasehold improvements and motor vehicles included in property, plant and equipment have been written down by US\$81,000, US\$692,000 and US\$9,000, respectively, to their recoverable amount of US\$346,000, US\$142,000 and US\$33,000 as at 31 December 2018, respectively, which are based on direct comparison approach and depreciated replacement cost approach.

34. 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	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Financial assets:				
Available-for-sale investments	-	984	-	-
Equity investments designated at fair value through other comprehensive income	1,500	-	-	-
Held-for-trading investments	-	15	-	-
Loans and receivables (including cash and cash equivalents)	65,318	70,277	16,678	16,873
Financial liabilities:				
Amortised cost	29,542	25,369	132	140
At fair value through profit or loss: derivative financial instruments	-	6	-	-

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Year ended 31 December 2018

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

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.

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 receivables from the five largest customers of the Group accounted for approximately 74% (2017: 78%) 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.

The Group also recognises a loss allowance based on lifetime expected credit losses at each reporting period. Management has reviewed its historical credit loss experience. As there was no credit loss in the past three years, management has determined that there is minimal lifetime expected credit loss considered necessary for the year then ended.

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Year ended 31 December 2018

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

Financial risk management objectives and policies (continued)

Credit risk (continued)

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs	
	Stage 1 US\$'000	Simplified approach US\$'000	Total US\$'000
Due from associates			
- Not yet past due	272	-	272
Trade receivables*	-	24,460	24,460
Investment - loan and receivable	2,200	-	2,200
Financial assets included in other receivable			
- Normal**	2,773	-	2,773
Pledged bank deposit			
- Not yet past due	148	-	148
Cash and bank balances			
- Not yet past due	35,465	-	35,465
	40,858	24,460	65,318

* For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 18 to the financial statements.

** The credit quality of the financial assets included in other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Maximum exposure as at 31 December 2017

The credit risk of the Group's other financial assets, which comprise cash and bank balances, pledged bank deposits, amounts due from associates, other receivables and certain loans and receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the financial statements.

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Year ended 31 December 2018

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

Financial risk management objectives and policies (continued)

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 the terms of three to five years), and minimises 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 94% (2017: 83%) of the Group's bank borrowings would 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.

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 2018				31 December 2017			
	One year or less US\$'000	One to five years US\$'000	Over five years US\$'000	Total US\$'000	One year or less US\$'000	One to five years US\$'000	Over five years US\$'000	Total US\$'000
GROUP								
Financial assets:								
Trade and other receivables	27,504	-	-	27,504	25,350	-	-	25,350
Cash and short-term deposits	35,884	-	-	35,884	44,360	-	-	44,360
Loans and receivables	2,310	-	-	2,310	1,129	-	-	1,129
Total undiscounted financial assets	65,698	-	-	65,698	70,839	-	-	70,839
Financial liabilities:								
Trade and other payables	21,062	-	-	21,062	15,620	-	-	15,620
Bank borrowings	8,125	514	-	8,639	8,165	1,688	-	9,853
Finance leases	23	72	-	95	46	54	-	100
Derivative financial instruments	-	-	-	-	6	-	-	6
Total undiscounted financial liabilities	29,210	586	-	29,796	23,837	1,742	-	25,579
Total net undiscounted financial assets/ (liabilities)	36,488	(586)	-	35,902	47,002	(1,742)	-	45,260

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Year ended 31 December 2018

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

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturity (continued)

	31 December 2018				31 December 2017			
	One year or less US\$'000	One to five years US\$'000	Over five years US\$'000	Total US\$'000	One year or less US\$'000	One to five years US\$'000	Over five years US\$'000	Total US\$'000
COMPANY								
Financial assets:								
Other receivables	30	-	-	30	52	-	-	52
Cash and short-term deposits	119	-	-	119	128	-	-	128
Amount due from a subsidiary	-	17,012	-	17,012	-	17,027	-	17,027
Total undiscounted financial assets	149	17,012	-	17,161	180	17,027	-	17,207
Financial liabilities:								
Other payables	132	-	-	132	140	-	-	140
Total undiscounted financial liabilities	132	-	-	132	140	-	-	140
Total net undiscounted financial assets	17	17,012	-	17,029	40	17,027	-	17,067

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 are repayable over three to five years by instalment 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 terms of three to five years 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 20% (2017: 34%) of the Group's bank borrowings were at fixed rate interest.

Interest rate sensitivity

At the end of the reporting period, if interest rates had been 50 (2017: 50) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been US\$73,000 (2017: US\$104,000) 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.

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Year ended 31 December 2018

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

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	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
JPY	89	52	439	494
US\$	14,581	13,833	35,338	38,863
SG\$	-	-	125	153
RMB	32	90	5,840	7,889

The Group may from time to time enter into forward foreign exchange contracts and foreign currency option 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% (2017: 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% (2017: 10%) against the functional currency of each group entity, profit before tax would increase by:

	Group	
	2018 US\$'000	2017 US\$'000
JPY	35	44
US\$	2,076	2,503
SG\$	13	15
RMB	581	780

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

Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

Foreign currency sensitivity (continued)

If the following foreign currencies weaken by 10% (2017: 10%) against the functional currency of each group entity, profit before tax would decrease by:

	Group	
	2018	2017
	US\$'000	US\$'000
JPY	(35)	(44)
US\$	(2,076)	(2,503)
SG\$	(13)	(15)
RMB	(581)	(780)

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. This securities are quoted on the stock exchange in Japan and Hong Kong are classified as equity investment designated at fair value through other comprehensive income (2017: available for sale) 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% (2017: 10%) higher/lower with all other variables held constant, the Group's other comprehensive income would have been US\$6,000 (2017: US\$18,000) higher/lower, arising as a result of higher/lower fair value of quoted equity securities classified as equity investment designated at fair value through other comprehensive income (2017: available for sale). As at 31 December 2017, the Group's profit before tax would have been US\$22,000 higher/lower, arising as a result of higher/lower in the fair value of quote equity securities classified as held-for-trading investments.

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35. 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 2018 and 2017.

As disclosed in note 30, certain subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a 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 2018 and 2017.

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 2018 was 14.8% (2017: 16.0%).

36. 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 and of payment devices
- Others: other business including general trading, food and beverage and life sciences

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 tables below, is measured differently from profit before tax in the consolidated financial statements. Corporate expenses, finance costs, interest income, share of losses of associates, impairment of investments in an associate and goodwill, gain on disposal of subsidiaries 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.

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36. SEGMENT INFORMATION (continued)

Segment assets excluded equity investments designated at fair value through other comprehensive income (2017: available-for-sale investments and held-for-trading investments), other assets, investments in associates, prepayment for the acquisition of intangible assets, deferred tax assets and other unallocated corporate assets as these assets are managed on a group basis.

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
2018						
REVENUE						
External sales	38,408	25,257	25,262	1,319	-	90,246
Intersegment sales *	-	395	-	-	(395)	-
Total revenue	38,408	25,652	25,262	1,319	(395)	90,246
RESULTS						
Segment results	1,077	1,574	839	(2,031)	-	1,459
Unallocated corporate expenses						(2,785)
Operating profit						(1,326)
Finance costs						(239)
Impairment of goodwill						(116)
Interest income						748
Share of losses of associates						(412)
Impairment of investment in an associate						(231)
Gain on disposal of subsidiaries						4,154
Profit before tax						2,578
Income tax expense						(1,794)
Profit for the year						784

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

36. 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
2017						
REVENUE						
External sales	59,780	22,116	20,731	1,463	-	104,090
Inter-segment sales *	-	431	11	-	(442)	-
Total revenue	59,780	22,547	20,742	1,463	(442)	104,090
RESULTS						
Segment results	7,540	1,206	1,097	(1,547)	-	8,296
Unallocated corporate expenses						(3,337)
Operating profit						4,959
Finance costs						(142)
Interest income						747
Share of loss of the associate						(88)
Impairment of investment in an associate						(931)
Profit before tax						4,545
Income tax expense						(2,822)
Profit for the year						1,723

* Intersegment sales are eliminated on consolidation.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

36. 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
2018						
ASSETS						
Segment assets	31,589	24,188	25,202	1,349	(131)	82,197
Unallocated assets						6,732
Consolidated total assets						<u>88,929</u>
LIABILITIES						
Segment liabilities	8,068	7,174	5,654	249	(131)	21,014
Bank borrowings and finance leases						8,480
Unallocated liabilities						1,954
Consolidated total liabilities						<u>31,448</u>
OTHER INFORMATION						
Capital expenditure	812	303	525	665	-	2,305
Depreciation of property, plant and equipment	537	389	436	20	-	1,382
Impairment of property, plant and equipment	57	10	715	-	-	782
Increase/(decrease) in provision for inventories	(181)	67	(21)	(24)	-	(159)

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

36. 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
2017						
ASSETS						
Segment assets	42,417	17,612	23,078	1,539	(105)	84,541
Unallocated assets						4,002
Consolidated total assets						<u>88,543</u>
LIABILITIES						
Segment liabilities	7,928	3,715	3,936	350	(105)	15,824
Bank borrowings and finance leases						9,749
Unallocated liabilities						2,053
Consolidated total liabilities						<u>27,626</u>
OTHER INFORMATION						
Capital expenditure	728	248	91	1	-	1,068
Depreciation of property, plant and equipment	571	331	411	11	-	1,324
Increase/(decrease) in provision for inventories	49	16	(587)	67	-	(455)

Geographical information

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

	Revenue from external customers		Carrying amount of non-current assets**	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
Hong Kong	20,209	19,304	472	251
PRC	54,154	74,946	3,549	4,655
Japan	14,880	9,598	2,119	2,157
Others	1,003	242	-	-
	<u>90,246</u>	<u>104,090</u>	<u>6,140</u>	<u>7,063</u>

** Non-current assets as at 31 December 2018 and 2017 mainly comprised property, plant and equipment and rental deposits as presented in consolidated statement of financial position.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

36. SEGMENT INFORMATION (continued)

Information about a major customer

Revenue from one major customer accounted for 46.2% (2017: 65.8%) of the total revenue, arising from sales with all segments.

37. DIVIDENDS

	Group and Company	
	2018 US\$'000	2017 US\$'000
Declared and paid during the financial year:		
<i>Dividends on ordinary shares:</i>		
Final exempt dividend for 2017: US0.7 cent (2017: US0.5 cent per share @ US\$0.04 each) per share @ US\$0.04 each	1,608	1,149
Interim exempt dividend for 2018: US0.4 cent (2017: US0.5 cent per share @ US\$0.04 each) per share @ US\$0.04 each	911	1,149
	2,519	2,298
Proposed but not recognised as a liability as at 31 December:		
<i>Estimated dividends on ordinary shares as at 31 December 2018, subject to shareholders' approval at the AGM:</i>		
Final exempt dividend for 2018: US0.7 cent (2017: US0.7 cent per share @ US\$0.04 each) per share @ US\$0.04 each	1,591	1,608

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	2018	
	Bank borrowings US\$'000	Finance leases US\$'000
At 1 January 2018	9,652	97
Proceeds from bank borrowings	21,867	-
Repayment of bank borrowings	(23,019)	-
New finance lease	-	102
Repayment of obligations under finance leases	-	(105)
Foreign exchange movement	(114)	-
At 31 December 2018	8,386	94

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Changes in liabilities arising from financing activities (continued)

	2017	
	Bank borrowings US\$'000	Finance leases US\$'000
At 1 January 2017	6,014	81
Proceeds from bank borrowings	104,995	-
Repayment of bank borrowings	(101,410)	-
New finance lease	-	107
Repayment of obligations under finance leases	-	(91)
Foreign exchange movement	53	-
At 31 December 2017	9,652	97

39. EVENTS AFTER THE REPORTING PERIOD

As announced on 14 March 2019, TAT Shanghai, a wholly-owned subsidiary of TM Hong Kong, has obtained approval from the relevant authorities in the PRC for its voluntary winding-up and its business licence was cancelled accordingly. TAT Shanghai was incorporated with registered capital of RMB2,500,000 in September 2016 in Shanghai, PRC to engage in hydroponic plantation. The business of TAT Shanghai has ceased since early 2018 as TAT Shanghai has been loss making since its establishment and there is no reasonable prospect of making and significant improvement on its financial performance or operation in the foreseeable future. Further details are set out in the Company's announcement dated 14 March 2019.

40. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 3 April 2019.

STATISTICS OF SHAREHOLDINGS

As at 19 March 2019

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	12	0.79	554	0.00
100 - 1,000	310	20.45	229,455	0.10
1,001 - 10,000	453	29.88	2,794,700	1.23
10,001 - 1,000,000	727	47.96	59,049,749	25.99
1,000,001 AND ABOVE	14	0.92	165,168,450	72.68
TOTAL	1,516	100.00	227,242,908	100.00

TWENTY LARGEST SHAREHOLDERS

(As per the Register of Members and the Depository Register)

NO.	NAME	NO. OF SHARES	%
1	MIKUNI CO., LIMITED	95,500,000	42.03
2	RHB SECURITIES SINGAPORE PTE. LTD.	24,501,950	10.78
3	DBS NOMINEES (PRIVATE) LIMITED	16,725,600	7.36
4	SBS NOMINEES PRIVATE LIMITED	7,935,500	3.49
5	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,973,600	1.75
6	OCBC SECURITIES PRIVATE LIMITED	3,083,600	1.36
7	UOB KAY HIAN PRIVATE LIMITED	2,894,000	1.27
8	NG HWEE KOON	2,547,550	1.12
9	RAFFLES NOMINEES (PTE.) LIMITED	2,167,450	0.95
10	LEE CHUE CHYE, LIONEL	1,500,000	0.66
11	KHOR KIAN BENG	1,180,000	0.52
12	NG CHOR MENG	1,105,850	0.49
13	HSBC (SINGAPORE) NOMINEES PTE LTD	1,041,500	0.46
14	LIM BUAN HUA	1,011,850	0.45
15	TEO CHENG TUAN DONALD	1,000,000	0.44
16	WONG KIEN CHORN	1,000,000	0.44
17	DY MO HUA CHEUNG PHILIP	976,000	0.43
18	FSK INVESTMENT HOLDING PTE. LTD.	937,550	0.41
19	YONG WOON CHONG	892,000	0.39
20	QUAH SIEW ENG EILEEN	880,000	0.39
	TOTAL	170,854,000	75.19

STATISTICS OF SHAREHOLDINGS

As at 19 March 2019

Class of equity securities	:	Ordinary share
No. of equity securities (excluding treasury shares)	:	227,242,908
Voting rights	:	One vote per share. The Company cannot exercise any voting rights in respect of the shares held by it as treasury shares.

As at 19 March 2019, the total number of treasury shares held is 24,934,202. The treasury shares as a percentage of the total number of issued shares excluding treasury shares is 10.97%.

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 19 MARCH 2019

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Mikuni Co., Limited	115,061,350 ^(Note 1)	50.63	-	-
Yoshimi, Kunikazu	-	-	115,061,350 ^(Note 2)	50.63

Notes:

- 19,561,350 shares owned are held through a nominee account.
- Mr. Yoshimi, Kunikazu is deemed interested in the shares held by Mikuni Co., Limited ("Mikuni") by virtue of his shareholdings in Mikuni.

PUBLIC FLOAT

As at 19 March 2019, 48.50% 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 Empress Ballroom 3, Level 2, Carlton Hotel Singapore, 76 Bras Basah Road, Singapore 189558 on Tuesday, 30 April 2019 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 2018 together with the Independent Auditors' Report thereon. **(Resolution 1)**
2. To declare a final dividend of 0.7 US cents per ordinary share (tax not applicable) for the year ended 31 December 2018 (2017: 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(A) of the bye-laws of the Company:

Mr. DY MO Hua Cheung, Philip	(Retiring under Bye-law 104)	(Resolution 3)
Mr. CHONG Pheng	(Retiring under Bye-law 104)	(Resolution 4)
Mr. KATO Tomonori	(Retiring under Bye-law 107(A))	(Resolution 5)

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.

[See Explanatory Note (i)]
4. To approve the payment of Directors' fees up to SG\$260,000 for the year ending 31 December 2019 (2018: SG\$220,000). **(Resolution 6)**
5. To re-appoint Ernst & Young in Hong Kong as the Auditor 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

NOTICE OF ANNUAL GENERAL MEETING

- (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 and subsidiary holdings) 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 and subsidiary holdings) 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 and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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 (ii)]

(Resolution 8)

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

That the Directors of the Company be authorised and empowered 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 CDW Employees' Share Option Scheme 2013 ("ESOS 2013") prior to its expiry but remain unexercised, provided that the total number of ordinary shares over which such options are granted, 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 ESOS 2013, and (b) all awards, shares and options granted under any other share option, share, incentive, performance scheme 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 and subsidiary holdings) 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 9)

NOTICE OF ANNUAL GENERAL MEETING

9. **Authority to issue shares under the CDW Employee Share Option Scheme 2018**

That authority be and is hereby given for the Directors of the Company to offer and grant options under the CDW Employee Share Option Scheme 2018 (the "ESOS 2018") 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 ESOS 2018, provided that the total number of ordinary shares over which an option granted or may be granted under the ESOS 2018, 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 ESOS 2018 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 and subsidiary holdings) 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 (iv)]

(Resolution 10)

10. **Authority to issue shares under the CDW Share Performance Scheme 2018**

That approval be and is hereby given to the Directors of the Company to offer and grant awards under the CDW Share Performance Scheme 2018 (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 and subsidiary holdings) 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 (v)]

(Resolution 11)

By Order of the Board

Kenneth Leong
Company Secretary

Singapore
6 April 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) In line with Guideline 4.7 of the Code of Corporate Governance: (a) saved as disclosed in the Annual Report 2018, there are no relationships including immediate family relationships between Mr. Chong Pheng and the other Directors, the Company or its 10% shareholders; and (b) the list of all current directorships held by Mr. Chong Pheng in other listed companies, as well as the details of his other principal commitments can be found in the Annual Report 2018, in the "Board of Directors" section, "Corporate Governance Report" section and "Supplemental Information on Re-election of Directors Pursuant to Listing Rule 720(6)" section.

The information on other directorships held by Mr. Kato Tomonori and Mr. Dy Mo Hua Cheung Philip, as well as the details of their other principal commitments can be found in the "Supplemental Information on Re-election of Directors Pursuant to Listing Rule 720(6)" section of the Annual Report 2018.

- (ii) 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 and subsidiary holdings) 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 and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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.

- (iii) Although the ESOS 2013 expired on 28 April 2018, outstanding options granted prior to that date subsist and remain exercisable pursuant to the Rules of ESOS 2013.

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 under the ESOS 2013 prior to its expiry but remain unexercised. The total number of ordinary shares to be allotted, issued and/or delivered over which such options had been granted, 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 ESOS 2013, and (b) all awards, shares and options granted under any other share option, share, incentive, performance scheme 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 and subsidiary holdings) of the Company on the day preceding such date.

- (iv) 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 exercise of options granted or may be granted under the ESOS 2018. The total number of ordinary shares to be allotted, issued and/or delivered over which an option granted or may be granted under the ESOS 2018, 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 and subsidiary holdings) of the Company on the day preceding such date.

NOTICE OF ANNUAL GENERAL MEETING

- (v) The Ordinary Resolution 11 in item 10 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 and subsidiary holdings) 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.

CORPORATE INFORMATION

Board of Directors

Chairman and Chief Executive Officer

YOSHIKAWA Makoto

Executive Director

DY MO Hua Cheung, Philip

KATO Tomonori

Lead Independent Director

CHONG Pheng

Independent Directors

LAI Shi Hong, Edward

MITANI Masatoshi

Key Executive Officers

CHAN Kam Wah

SHINJO Kuniyuki

Company Secretary

LEONG Chee Meng, Kenneth

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, HM12

Bermuda

Bermuda Company Registration Number

35127

Registered Office

Canon's Court, 22 Victoria Street

Hamilton, HM12

Bermuda

Principal Office

Room 6-10, 11th Floor, CCT Telecom Building

11 Wo Shing Street, Fo Tan, Shatin

New Territories, Hong Kong

Singapore Share Transfer Agent

Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place #32-01, Singapore Land Tower

Singapore 048623

Bermuda Share Registrar

Estera Management (Bermuda) Limited

Canon's Court, 22 Victoria Street

Hamilton, HM12

Bermuda

Auditors

Ernst & Young

Certified Public Accountants

22/F CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

Audit Partner: WONG Ka Wing

Date of appointment: 2 July 2018

Investor Relations

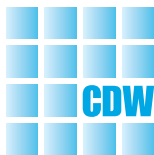
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