CDW

CDW Holding Limited

STAYING FOCUSED AND FLUID

CDW Holding Limited

ANNUAL REPORT 2019

A RELIABLE OUTSOURCING PARTNER WITH JAPANESE PRECISION

日本の技術力と信頼性を世界へ

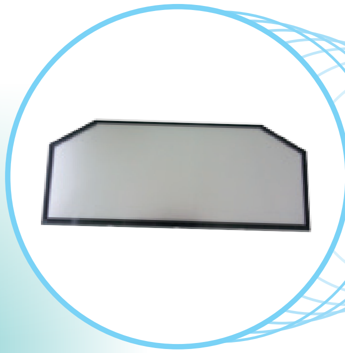
With an eagle-eyed focus on producing higher margin, popular consumer electronics, while expanding prudently and managing costs, we are on the right course for long-term sustainable growth. That's Sound Strategy.

CONTENTS

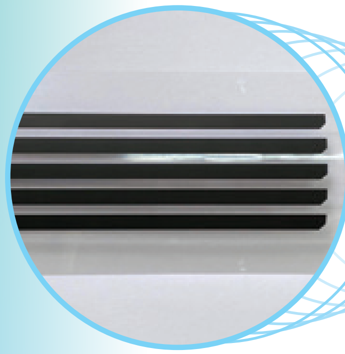
CORPORATE PROFILE

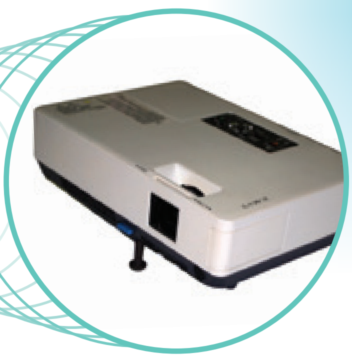
CDW Holding Limited is a Japanese-managed precision components specialist serving the global market focusing on the production and supply of niche precision components for mobile communication equipment, gamebox entertainment equipment, consumer and information technology equipment, office equipment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

LCD BACKLIGHT UNITS

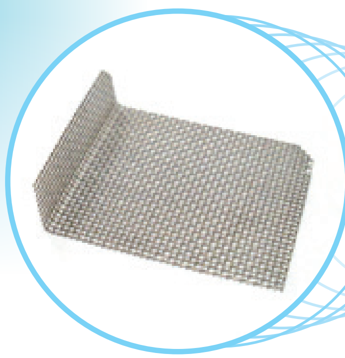


LCD PARTS AND ACCESSORIES



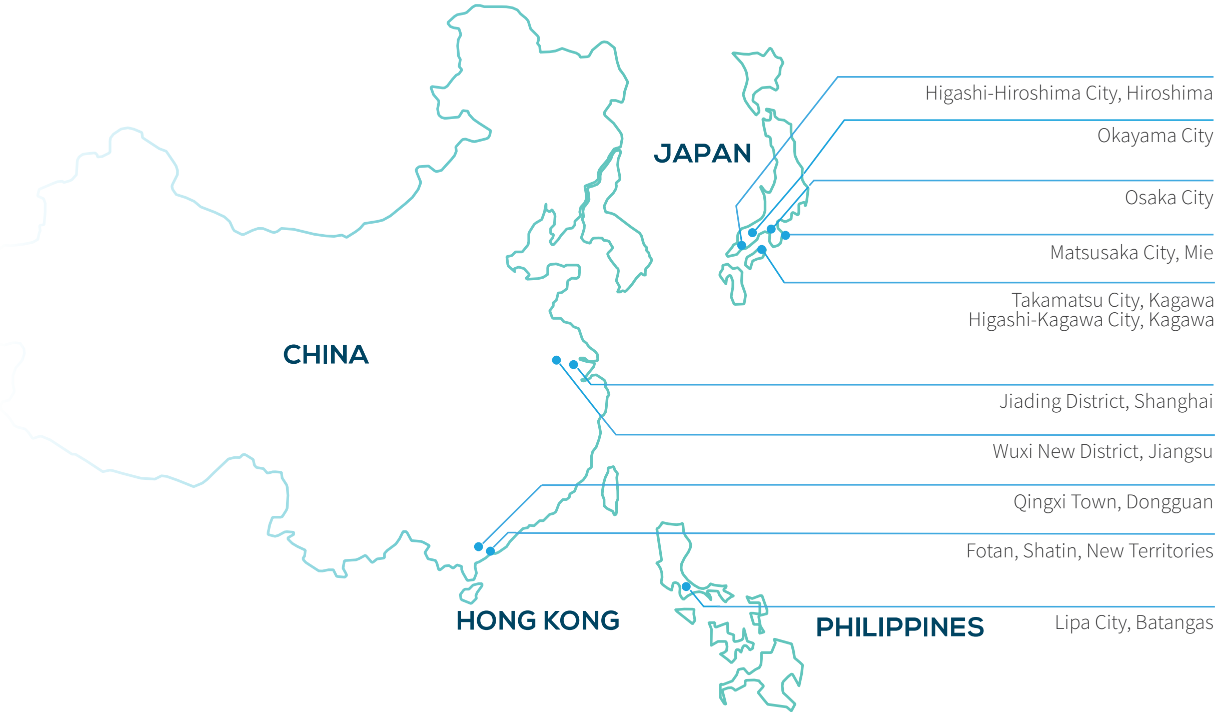


OFFICE AUTOMATION



Applications   Our Products

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

Menkobo Muguruma Co., Limited

Minami Tec (Wuxi) Co., Limited

Tomoike Industrial Co., Limited

Tomoike Industrial (Philippines) Incorporated

Tomoike Precision Machinery (Dongguan) Co., Limited

Tomoike Precision Machinery (Shanghai) Co., Limited

Wah Hang Precision Machinery (Dongguan) Limited

CORPORATE MILESTONES

1991

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

1993

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

1996

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

2001

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

2002

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

2003

The Group established Tomoike Electronics (Shanghai) Co., Limited ("TM Pudong") to perform the processing functions of precision components for our LCD Parts and Accessories business.

2005

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

2006

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

2007

CD Suzhou completed the relocation to new factory for further expansion of business in July. The Group completed the acquisition of TM Japan by issuing 18,405,221 new shares as consideration in September. As a result of the completion, TM Japan became a wholly-owned subsidiary of the Group.

2008

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

CORPORATE MILESTONES

2019

TM Philippines was incoporated in Philippines in June for manufacturing, processing and assembly of printed circuit board, mobile payment device, niche precision components and insulating materials.

2018

A Bio was incorporated in Korea in January for application of biotechnology to research and develop antibodies-related products. After the disposal of 32.9% interest in A Bio, it becomes an associated company of the Group.

2018

The Group acquired 95% equity interest in GSP for research and development of an antibodies library in January.

TM Pudong transferred its business to TM Shanghai and was sold in August.

2017

CLS was incorporated in Japan in January to provide Bio-tech related research and market of healthcare and beauty products.

2016

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

2016

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

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

2015

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

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

2014

The Group increased equity interest from 86% to 100% in SMT Hong Kong and it became a wholly-owned subsidiary of TM Hong Kong. Guru Guru was established to perform general trading in Hong Kong.

2013

The Group acquired 100% equity interest in MT Wuxi.

CD Suzhou terminated business operations and applied for voluntary liquidation.

2012

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

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

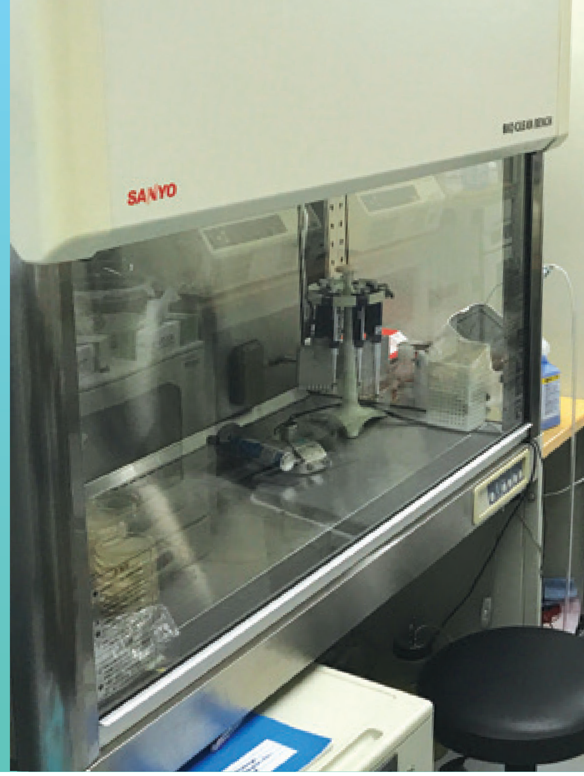
2011

Dongguan Dali S.M.T. Limited (SMT Dongguan) and Shanghai Gu Chang Yu Printing Technology Co., Limited (“GCY Shanghai”) were established in order to secure and enhance the business of the Group. The Group increased equity interest from 72% to 86% in SMT Hong Kong.

2010

The Group acquired 72% equity interest in S.M.T. Assembly Limited (“SMT Hong Kong”), a company specialising in the provision of surface mounting technique services in electronics production assembly.

LETTER TO SHAREHOLDERS



"DESPITE THESE INCIDENTS, THE GROUP CONTINUED TO MAKE HEADWAY, WORKING WITH ITS CUSTOMERS TO DEVELOP NEW PRODUCTS, GROWING ITS OTHER BUSINESSES TO DIVERSIFY, EXPLORING ALTERNATIVE MANUFACTURING LOCATIONS FOR RISK DIVERSIFICATION, AND EXPLORING NEW BUSINESS OPPORTUNITIES."

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 2019 ("**FY2019**").

In FY2019, the Group maintained focused on catering to promising sectors while diversifying its production capabilities as part of a strategy to stay fluid and adapt to an increasingly fast-changing world. Throughout the year, the Group's business environment became increasingly challenging as internal and external factors affected its performance and day-to-day operations. Furthermore, intensified price competition and shorter product life cycles continued to weigh on the Group, while ongoing US-China trade tensions rippled across the globe.

The external pressures faced were further magnified by the Novel Coronavirus ("**COVID-19**") outbreak that halted work at the Group's plants in China due to a blanket requirement for selected provinces to cease production. The impact of the stoppages was widespread and disrupted supply chains by making locally manufactured accessory materials suddenly in short supply.

In addition to the disruptions in China caused by COVID-19, the Group also encountered delays for its newly established OEM operations in the Philippines due to the Taal volcano eruption in early January and the consequent safety concerns in the eruption's aftermath.

Despite these incidents, the Group continued to make headway, working with its customers to develop new products, growing its other businesses to diversify, exploring alternative manufacturing locations for risk diversification, and exploring new business opportunities.

Total sales for FY2019 amounted to US$101.5 million, which was US$11.3 million higher than the US$90.2 million recorded for FY2018. This was largely driven by the higher revenue from the LCD Backlight Units segment due to the higher selling price of larger sized LCD backlight units for use in more premium automobiles and ultrathin notebook computers. Meanwhile, the LCD Parts and Accessories, and Office Automation segments reported lower revenue contributions due to softer demand.

In line with the higher revenue, the Group's gross profit increased by US$0.8 million to US$20.2 million from US$19.4 million in FY2018. However, the Group's gross profit margin fell to 19.9% in FY2019, from 21.5% in FY2018 as the amount of materials used in larger sized LCD backlight units took up a higher proportion and this contributed to a lower profit margin.

In order to reduce expenses, the Group continued to streamline its administrative functions by downsizing its manpower and reengineering its administrative process. Such efforts have paid off and reduced employee-related expenses by US$1.4 million for FY2019. The intellectual properties which were included in the prepayment for the acquisition of intangible assets were recognised as expenses during the year under review as there was no concrete plan which could translate these intellectual properties worth of US$0.9 million into a prosperous business plan.

The Group continued to strictly uphold its low gearing policy thus keeping finance costs low for FY2019. One of the Group's associated companies, A Biotech Limited ("A Bio"), which is still in its development phase, incurred a loss in FY2019 and the Group's share of this operating loss amounted to US$1.9 million. The loss resulted from A Bio's continuing investment in research and development. Apart from the regular administrative expenses, A Bio also provided a full impairment over an investment made earlier this year under review and the professional cost of carrying out an investigation over A Bio's management. For details, please refer to Corporate Governance Report on page 61.

After the Board reviewed the investigation report, certain procedural irregularities were identified. The Board is reviewing the investigation report and will effect controls, where necessary, to ascertain and to safeguard A Bio's assets. If necessary, the Board will reorganise A Bio's management team and restructure A Bio's board of directors, if appropriate.

The life sciences business also faced tragedy for the year under review when Dr Takayanagi Atsushi, the legal representative of GSP Enterprise Inc. ("GSP"), passed away peacefully on 12 December 2019. Dr Takayanagi was instrumental to the research work at GSP and his passing means development of new antibody libraries are put on hold. We have downsized GSP with the research staff now with Okayama University and we are actively sourcing for a suitable candidate to resume Dr Takayanagi's work. Furthermore, A Bio has also paused funding for the joint research and development. Fortunately, our existing stock of antibody library is sufficient to continue other research for the next two years.

Taking the above into account, the Group recorded a loss before income tax of US$0.6 million for FY2019 as compared to a profit of US$2.6 million in FY2018, and a loss after income tax of US$1.9 million.

OUTLOOK & STRATEGY

For the current financial year ending 31 December 2020 ("FY2020"), the Group seeks to leverage on the momentum generated from prioritising larger-sized LCD backlight units used in ultrathin notebook computers and premium automobile information systems. The Group still stands to benefit from some spillover orders from FY2019, although this is subject to the impact of COVID-19 which may trigger further delays. Taking a long term view, we are still positive of the product's prospects as the demand for premium automobile information systems remains steady albeit at a low volume. The Group anticipates that the order volume will grow when these displays become commonplace in more mainstream automobiles.

The Group anticipates that the Office Automation, and LCD Parts and Accessories segments will continue facing intense price competition, as well as lower revenue as some products are phased out. Measures are being taken to maintain profitability and both segments are expected to remain stable in the coming financial year as the Group projects a stable inflow of orders for parts for new models of office automation, mobile phones and ultrathin notebook computers.

LETTER TO SHAREHOLDERS

The OEM business for mobile payment machines, which is a subset of the LCD Parts and Accessories segment, likewise faces stiffer price competition from other PRC suppliers. In response, the Group has streamlined and removed non-competitive models and is shifting the bulk of its operations to a new facility in the Philippines. The relocation provides a bulwark against the effects of the US-China trade dispute, in addition to improving the Group's reach to existing and new customers which have established manufacturing operations in the Philippines.

For the life sciences business, the Group will continue to market its synthetic antibodies library to relevant biotech and pharmaceutical companies for research and development purposes, with the aim of helping to create alternative treatments for diseases. The Group is already working with Okayama University on applications of the next generation of antibody library and aims to reach the patent application phase. One of the projects is already in the patent application phase while the rest are in various stages of development. The Group also continues to work with Meisterbio Co., Limited ("Meisterbio") to explore opportunities to leverage on intellectual property ("IP") rights which were acquired from Meisterbio together with the sales and distribution rights in Japan, Korea, and other Asian markets. Meisterbio's products which contain the IP, are being tested by different customers to see if they are applicable to their product line-up.

MOVING FORWARD

We are cautiously optimistic of the coming financial year despite it being anticipated to be challenging as legacy concerns such as the US-China trade dispute and COVID-19. CDW has weathered various challenges in the past and efforts are already undertaken in preparation of these challenges.

In response to the COVID-19 outbreak, the Group has established necessary precautions such as facemask-wearing, cleaning and sanitisation, temperature monitoring, and safe distancing for its workers in China. The Company also followed the directives outlined by the Chinese Government to better contain the outbreak. Although all of the Group's factories have since resumed production, they experienced the challenge of labour shortages especially for one of the Group's Shanghai factories which hires a significant number of workers from other provinces in China in March 2020, and finally resumed back to normal in April 2020. The various governmental COVID-19 restrictions have also made it harder to find alternative supplies of labour. Nevertheless, the Group will continue to monitor the situation and work closely with the health authorities to best take care of the health and needs of its personnel.

As for the US-China trade tensions, the Group's plan to set up new facilities in the Philippines is on track despite the delay due to the volcano eruption. Once fully operational, the facility would help mitigate the risk of US tariffs and allow the Group to explore new opportunities with existing and new clients based in the area. In the meantime, we will continue to reorganise our businesses in order to be competitive.

CONCLUSION

On behalf of the Board, I would like to once again express our condolences for Dr Takayanagi Atsushi. We are thankful for his contributions to the research and development of the GSP antibody library.

On a brighter note, I would like to welcome aboard Mr Chia Seng Hee who joins us as Independent and Non-executive Director. We look forward to working together with him to bring the Group towards new horizons. I would also like to thank the management, staff and shareholders for their much-appreciated contribution and faith in us.

In closing, as part of our appreciation to our shareholders and our intention to have dividends distributed as soon as possible to provide some support to our shareholders during this difficult period of economic uncertainty due to COVID-19, we declared a second interim dividend of 0.7 US cents per ordinary share, which only requires the Board's approval and not shareholders' approval under the Company's Bye-Laws. In addition to the first interim dividend of 0.4 US cents per ordinary share declared earlier in the year, this amounts to 1.1 US cents per ordinary share declared for the year under review.

Yours Sincerely,
YOSHIKAWA Makoto

STATEMENT OF PROFIT AND LOSS

Revenue for the year ended 31 December 2019 ("**FY2019**") rose by US$11.3 million to US$101.5 million as compared to the US$90.2 million recorded for the previous corresponding financial year ("**FY2018**"). The Group's gross profit for FY2019 increased by US$0.8 million to US$20.2 million from US$19.4 million in FY2018 and the gross margin of the Group fell to 19.9% in FY2019, from 21.5% in FY2018. A detailed breakdown is provided in the segment analysis below.

Other operating income for FY2019 decreased by US$3.1 million to US$2.1 million, as compared to US$5.2 million in FY2018. This amount mainly comprised a reversal of impairment of right-of-use assets, interest income earned, government compensation arising from the compulsory closure of the Group's food and beverage operation in Shanghai, the People's Republic of China and a gain on disposal of an associate company. Under IFRS16, instead of recognising rental expenses under operating leases on a straight line basis, the Group recognised depreciation and an impairment of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs). As at 1 January 2019, the Group recognised an impairment amounting to US$1.5 million. As a result of increasing orders for LCD backlight units, an impairment amounting to US$1 million was reversed during the year under review. In addition, one of the associate companies issued new shares during the year which diluted the Group's shareholding in this associate company and resulted in a gain of US$0.2 million during the year under review.

In the area of expenses for FY2019, distribution expenses increased by US$0.5 million to US$2.2 million (FY2018: US$1.7 million), while administrative expenses decreased by US$0.9 million to US$18.6 million (FY2018: US$19.5 million). The higher distribution expenses were mainly attributable to an increase in the packing materials used for larger sized LCD backlight units. The decrease in administrative expenses was attributable to cost control of salary-related, rental expenses and depreciation expenses related to right-of-use assets. In addition, the prepayment for the acquisition of intangible assets amounting to US$0.9 million was recognised as expense due to the absence of a concrete commercialisation plan of the related patents. In addition, the Group recognised an expected credit loss of US$0.4 million in respect of trade receivables to reflect the expectation of forecasted economic conditions and their deterioration due to US-China trade tensions over the year under review. Finance costs remained low for the year under review as the Group continued to strictly uphold its low gearing policy.

A Biotech Co., Limited ("A Bio"), the Group's associate company, which is still in its development phase, incurred a loss in FY2019 and the Group's share of this operating loss amounted to US$1.9 million. The loss was partly attributable to A Bio's continuing investment in research and development and partly to regular administrative expenses. In FY2019, based on a sound business plan and a funding strategy of having a potential investor investing into this company, A Bio invested into a South Korea incorporated company known as BlackTree Co., Limited ("BlackTree") in which A Bio's representative director had an interest as a shareholder and director. The investment amount was US$1 million for a 4.5 % equity interest which was on the back of an additional funding of US$20 million from an investor. Subsequently, a whistle blowing by a staff of A Bio triggered an investigation over the director's daily management towards the dealing of this investment. The investigation identified certain procedural irregularities which led to the removal of the director. Please refer to Corporate Governance Report on page 61. As BlackTree failed to realise the funding as planned, the net asset value owned by A Bio cannot support this high premium investment and, therefore, a full impairment against this investment was provided. This impairment and the related professional legal cost led to further losses incurred by A Bio.

FINANCIAL AND OPERATIONS REVIEW

Income tax expenses for FY2019 decreased by US$0.5 million to US$1.3 million as compared to US$1.8 million in FY2018. There were income tax expenses even though the Group incurred an overall loss before income tax. This was mainly due to tax credits, which had not been recognised in profit and loss, from loss-making subsidiaries not being able to fully mitigate the income tax payable from the profit-making subsidiaries.

As a result of the above, FY2019 saw the Group record a loss before income tax of US$0.6 million (FY2018: profit of US$2.6 million) and register a loss after income tax of US$1.9 million (FY2018: profit of US$0.8 million).

LCD Backlight Units

For the financial year under review, revenue from the LCD Backlight Units segment increased by US$23.3 million to US$61.7 million (FY2018: US$38.4 million). The increase was due to the higher selling price of larger sized LCD backlight units used in more premium automobiles and ultrathin notebook computers. In addition, this business segment received a new allocation of smartphone orders placed during the second half of FY2019, enabling it to record an operating profit of US$2.7 million then. However due to the segment also incurring an operating loss of US$0.3 million in the earlier half of FY2019, the segment's total operating profit for FY2019 amounted to US$2.4 million.

In terms of sales volume, the total number of units sold for the segment amounted to 7.5 million units (FY2018: 8.3 million units). Approximately 2.0 million units (FY2018: 0.3 million units) were sold for handsets and another 5.5 million units (FY2018: 8.0 million units) were sold for gamesets, automobile information systems and ultrathin notebook computers. This was an increase of 566.7% and a decrease of 31.3% respectively.

Office Automation

Revenue from the Office Automation segment dropped by US$4.1 million to US$21.2 million in FY2019 as compared to US$25.3 million posted for FY2018. Correspondingly, the segment recorded a lower operating profit of US$1.2 million for the financial year as compared to the US$1.6 million of FY2018. The operating margin for this segment decreased from 6.3% in FY2018 to 5.7% for FY2019. The drop in sales and the operating margin was due to a loss of customer orders from Japan.

LCD Parts and Accessories

Sales for the LCD Parts and Accessories segment declined by US$8.5 million from US$25.3 million in FY2018 to US$16.8 million in FY2019. The segment booked an operating profit of US$0.8 million for FY2019 as compared to US$0.8 million in FY2018. The operating margin for this segment increased from 3.2% in FY2018 to 4.8% for FY2019. The drop in sales but increase in operating margin was attributable to some products being phased out and the decrease in OEM business as a result of the US-China trade tensions.

Other Segment

The Other Segment mainly comprised the food and beverage and the life sciences businesses, which collectively generated a total revenue of US$1.7 million for the financial year under review (FY2018: US$1.3 million). As the life sciences division is still in its initial development stage, there was an operating loss of US$0.3 million for FY2019 (FY2018: US$2.0 million).

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

The Group's total assets and liabilities stood at US$88.0 million and US$37.4 million respectively, as compared to US$88.9 million and US$31.4 million as at 31 December 2018.

Current assets dipped to US$74.8 million as compared to the US$76.7 million for FY2018. Meanwhile, cash and bank balances decreased by US$7.0 million to US$28.5 million as at 31 December 2019 (31 December 2018: US$35.5 million). The reduction in cash was mainly due to the financing of a longer credit term for the Group's key customers and the purchase of raw materials for larger sized LCD backlight units. In association with the rise in revenue, trade receivables increased from US$24.5 million to US$32.3 million. Except for the longer credit term of 150 days offered to the Group's key customers, there was no material change in the credit term of 60 days to 90 days offered to other customers in general.

Other receivables and prepayments amounted to US$2.4 million (FY2018: US$3.9 million) and mainly represented utility deposits, prepaid expenses, value added tax recoverable, and sales tax prepaid. Included in loans and receivables was a receivable of US$1.5 million due by an associate of the controlling shareholder, being the sales proceeds for the disposal of interest in a subsidiary. This amount was overdue and after negotiation, it was agreed to extend the repayment to 31 December 2020 with a property held as collateral. An interest based on US dollar best lending rate plus 1% from time to time, charged at 5%, will be charged from the due dates to the actual settlement dates.

The non-current assets of the Group stood at US$13.2 million (31 December 2018: US$12.2 million). Also included in property, plant and equipment amounting to US$6.5 million (31 December 2018: US$5.9 million), was leasehold improvements and newly purchased equipment of US$2.2 million, which was netted off against a depreciation charge of US$1.4 million, and a foreign currency translation effect of US$0.2 million. The equity investments designated at fair value through other comprehensive income included listed shares in Japan and the equity investment in a Korean company. The Korean company offered the Group the manufacturing and distribution rights for its products.

KEY FINANCIAL DATA

US$mn	FY2019	FY2018	FY2017	FY2016	FY2015
Total assets	**88.0**	88.9	88.5	83.5	88.7
Total liabilities	**37.4**	31.4	27.6	23.2	22.8
Current assets	**74.8**	76.7	78.9	72.6	76.6
Current liabilities	**34.3**	29.9	25.3	22.0	20.7
Shareholders' equity	**50.6**	57.5	60.9	60.3	65.9
Revenue	**101.5**	90.2	104.1	103.2	118.1
Profit/(loss) before tax	**(0.6)**	2.6	4.5	3.0	10.0
Profit/(loss) after tax	**(1.9)**	0.8	1.7	0.4	7.9
Earnings/(loss) per share (US cents)	**(0.83)**	0.39	0.75	0.17	3.34#
Dividends per share (US cents)	**1.1***	1.1	1.20	0.7	2.4#

* including the second interim dividend for FY2019

\# 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

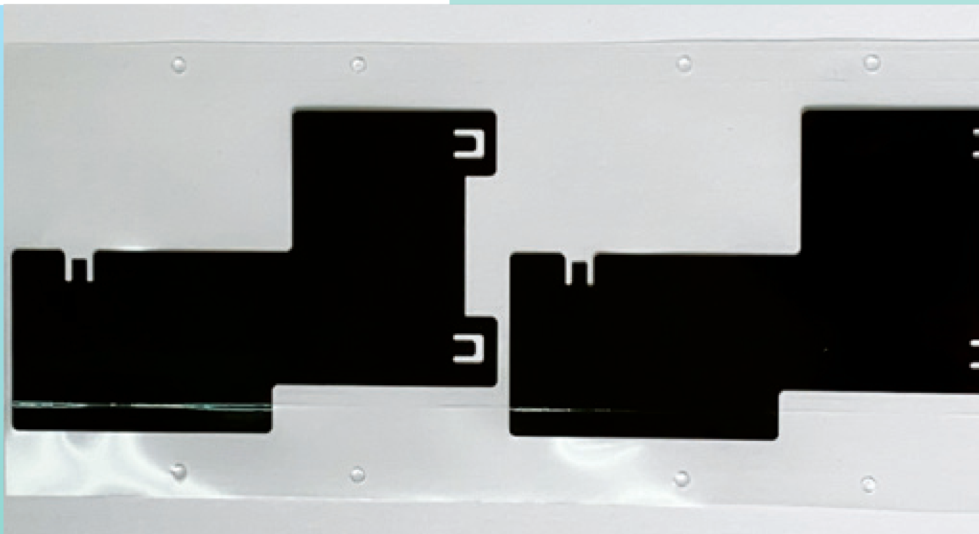
Upon the implementation of IFRS 16 Leases, a right-of-use assets of US$2.2 million net of impairment of US$1.5 million and a transfer of US$0.1 million from property, plant and equipment gave a total amount of US$0.8 million which was recognised as at 1 January 2019. During the period under review, additional right-of-use assets of US$2.8 million were recognised and the depreciation of these right-of-use assets amounting to US$0.9 million was charged to profit and loss. Investment in associates mainly represented the Group's investment in A Biotech Co., Limited, which is a company incorporated in Korea that has incurred losses as it is still in the development phase.

Total liabilities amounted to US$37.4 million, representing an increase of US$6.0 million (31 December 2018: US$31.4 million). As explained in the statement of cash flows, the Group drew down bank borrowings amounting to US$25.8 million while settling bank borrowings amounting to US$24.7 million with net proceeds of US$1.1 million. Total outstanding bank borrowings was US$9.5 million (31 December 2018: US$8.4 million).

In relation to the right-of-use assets as mentioned above, there were lease liabilities of US$3.5 million, of which US$1.5 million is payable within a year and classified under current liabilities.

The Group's trade payables increased by US$2.2 million to US$19.4 million (31 December 2018: US$17.2 million). The increase was in line with the higher sales of the fourth quarter for the financial year under review. There was no material change in the credit terms offered by the Group's suppliers and the settlement was done in accordance with agreed credit terms.

The income tax on profit was provided and adjusted under the tax rules for different jurisdictions. The income tax charge net of payment for FY2019 had reduced the income tax payable by US$0.3 million to US$0.5 million (31 December 2018: US$0.8 million). Included in the non-current liabilities were retirement benefit obligations for directors in the Group's subsidiaries in Japan and deferred tax liabilities related to withholding tax on dividends from subsidiaries to the immediate holding company, and the tax effects of temporary differences between the



carrying amounts of an asset or liability and its tax base.

STATEMENT OF CASH FLOWS

The Group had net cash used in operating activities amounting to US$2.5 million for the current financial year under review as compared to US$1.0 million generated from the corresponding previous financial year. As explained above, the net cash used in operating activities were mainly due to an increase in the working capital for production of larger sized LCD backlight units, in which the Group faced costlier raw materials as well as a longer credit term demanded by the key customers. During FY2019, the Group paid income tax amounting to US$1.4 million (FY2018: US$2.1 million).

For investing activities, there was a net cash outflow of US$1.0 million (FY2018: US$5.5 million) over the financial year under review, mainly attributable to the receipt of loan repayment from a customer amounting to US$0.7 million. In addition, there was a purchase of property, plant and equipment amounting to US$2.2 million (FY2018: US$2.2 million).

For financing activities, there was a net cash outflow of US$3.6 million over FY2019 (FY2018: US$2.7 million). The financing activities mainly included the net proceeds of bank borrowings amounting to US$1.1 million during FY2019 (FY2018: net settlement of US$1.2 million) so as to meet the Group's increase in working capital for the reason stated above.

During FY2019, the Group bought back its own shares worth of US$0.6 million (FY2018: US$0.3 million) in the open market and paid the final dividend of US$1.6 million for FY2018 (FY2018: final dividend of US$1.6 million for FY2017) and an interim dividend of US$0.9 million for FY2019 (FY2018: interim dividend of US$0.9 million for FY2018). In respect of the right-of-use assets, the Group made a repayment of lease liabilities amounting to US$1.4 million.

FINANCIAL AND OPERATIONS REVIEW

KEY OPERATIONAL INFORMATION / DATA

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

	FY2019	FY2018	FY2017	FY2016	FY2015
Revenue (US$mn)	**61.7**	38.4	59.8	59.1	80.0
Earnings before interest and Taxes (EBIT) (US$mn)	**2.5**	1.1	7.5	5.8	7.5
Gross floor area (sqm)	**7,620**	7,620	7,620*	19,096	19,731
Clean room area (sqm)	**4,120**	4,096	4,096*	5,416	6,077
Number of staff	**91**	95	87	114	125
Number of workers	**574**	502	428	556	707
Production capacity (units/mth)	**4,000,000**	4,000,000	4,000,000	6,000,000	6,000,000

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

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

	FY2019	FY2018	FY2017	FY2016	FY2015
Revenue (US$mn)	**16.8**	25.3	20.7	22.1	21.1
EBIT (US$mn)	**0.8**	0.8	1.1	0.7	0.4
Gross floor area (sqm)	**5,673**	5,673*	11,165#	11,245	15,601
Clean room area (sqm)	**2,167**	2,167*	3,687#	2,590	3,400
Number of staff	**49**	58	73	83	107
Number of workers	**93**	221	270	148	210#

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 moved to TM Dongguan in November 2018. SMT Hong Kong and SMT Dongguan stopped production in December 2018

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

	FY2019	FY2018	FY2017	FY2016	FY2015
Revenue (US$mn)	**21.2**	25.2	22.1	21.1	16.6
EBIT (US$mn)	**1.2**	1.6	1.2	0.4	0.1
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	1,091
Number of staff	**115**	128	137	138	139
Number of workers	**220**	255	304	318	333

GCY Shanghai stopped production in March 2020.

(Figures are based on December of each year.)

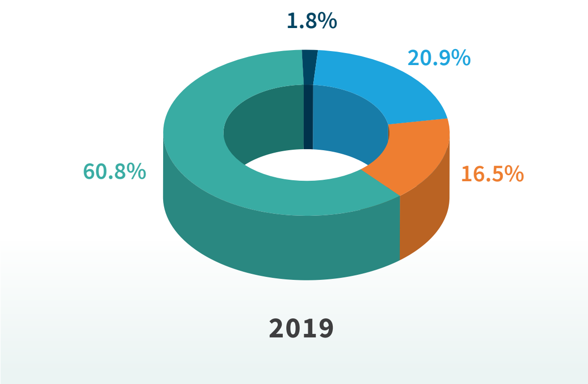
SEGMENTAL FINANCIAL HIGHLIGHTS

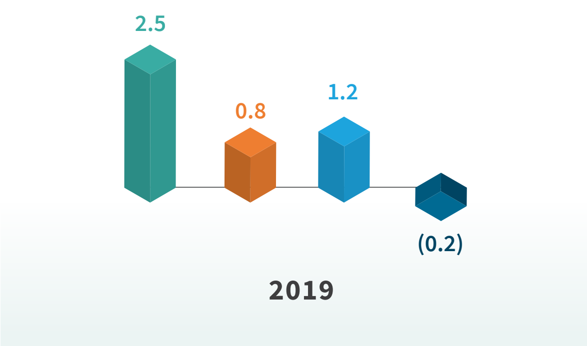
Revenue By Business Segment

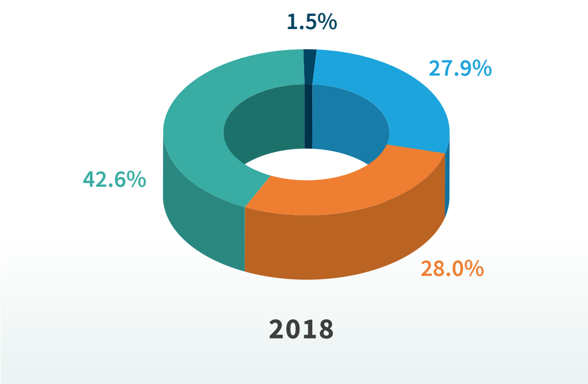
Revenue (US$mn)	FY2019	FY2018	%Change
LCD Backlight Units	**61.7**	38.4	60.7
LCD Parts and Accessories	**16.8**	25.3	(33.6)
Office Automation	**21.2**	25.2	(15.9)
Others	**1.8**	1.3	38.5

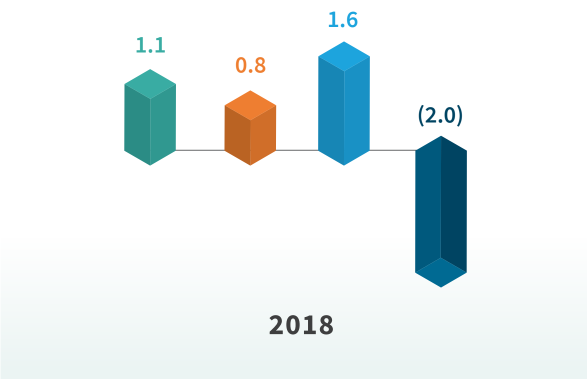
EBIT By Business Segment

Revenue (US$mn)	FY2019	FY2018	%Change
LCD Backlight Units	**2.5**	1.1	127.3
LCD Parts and Accessories	**0.8**	0.8	-
Office Automation	**1.2**	1.6	(25.0)
Others	**(0.2)**	(2.0)	(90.0)









LCD Backlight Units
LCD Parts and Accessories
Office Automation
Others

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 became 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.

KATO Tomonori

Executive Director and Chief Operating Officer

(Appointment: 30 April 2018 Last re-election: 30 April 2019)

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 commenced from October 2014 and May 2015, respectively, until 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.

DY MO Hua Cheung, Philip

Executive Director and Chief Financial Officer

(Appointment: 28 April 2008 Last re-election: 30 April 2019)

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.

INDEPENDENT DIRECTORS

CHONG Pheng

Lead Independent Director

(Appointment: 31 May 2011 Last re-election: 30 April 2019)

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 Wellness Pte Ltd; and independent director of CMON Ltd. He has also worked with several companies on business development, marketing and sales. 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.

Note:
The Directors do 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. The Directors also do 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

CHIA Seng Hee

Independent Director

(Appointment: 1 December 2019)

Mr Chia Seng Hee was appointed as an Independent Director of the Company on 1 December 2019. He is currently the Chairman of the Remuneration Committee.

Mr Chia graduated from the National University of Singapore with a degree in Accountancy and from the International University of Japan with a Master of Arts in International Relations. He also completed the General Manager Program at Harvard Business School. After some twenty years in various capacities with Arthur Andersen, Singapore Technologies and the Government of Singapore Investment Corporation, he was appointed Senior Director, Enterprise Singapore (then the International Enterprise Singapore Board) covering China operations from Shanghai, based at the Consulate General of Singapore in Shanghai. He brings to the Group significant experience in corporate governance and risk management.

He is qualified as a fellow member of the Institute of Singapore Chartered Accountants.

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 on 28 October 2011, and currently served as an Independent Director with effect from 26 February 2015. He has more than 32 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.

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 24 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.

Note:
The Directors do 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. The Directors also do not have other principal commitments, or hold any current directorship and past directorship over the preceding three years in other listed companies.

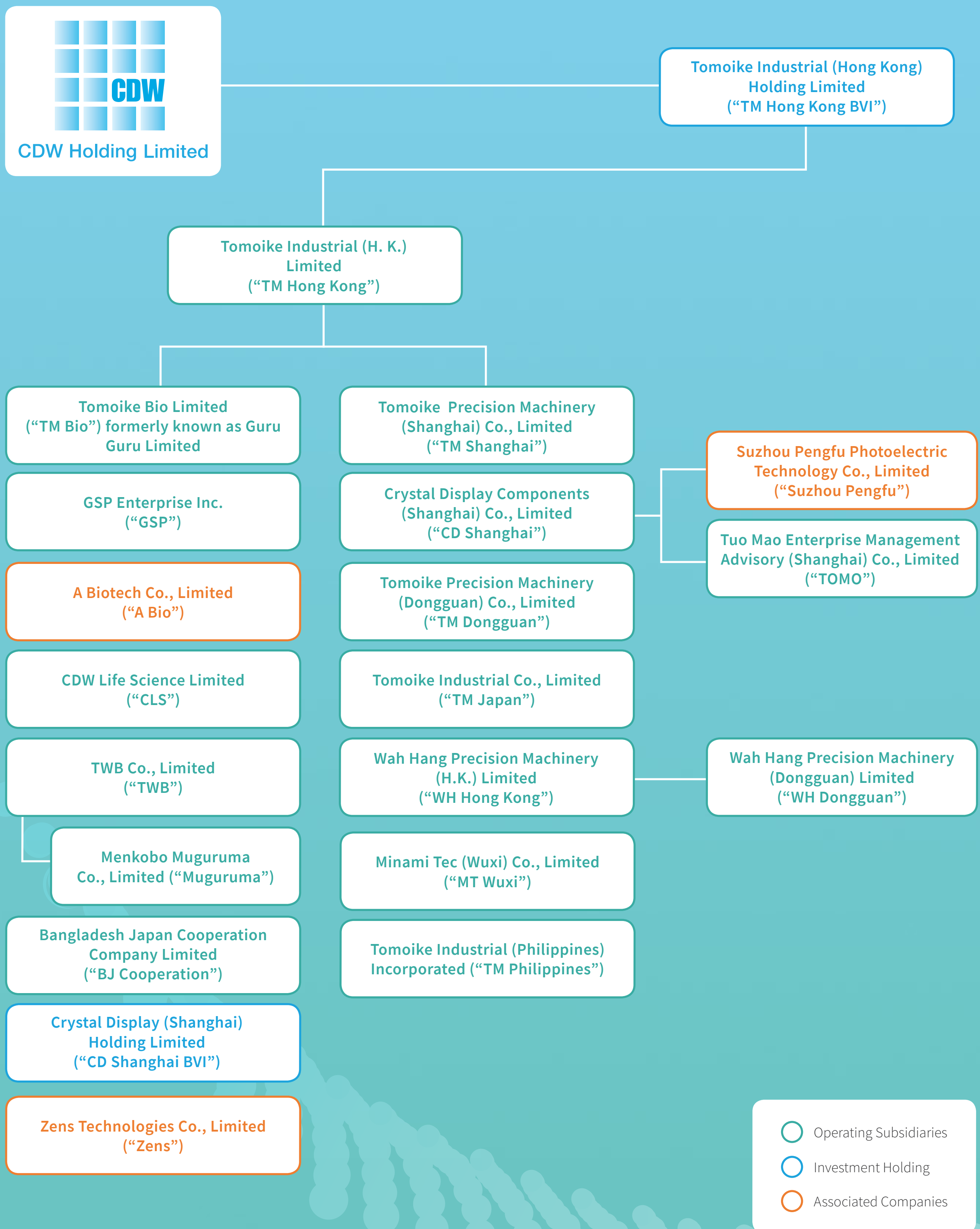
CHAN Kam Wah
Head of Operations in Southern China

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 and TM Dongguan since March 2008 and September 2016, respectively. He was promoted as General Manager of TM Hong Kong in March 2017 and a director of TM Hong Kong in April 2020. 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 33 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 TM Hong Kong 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



ABOUT THE SUSTAINABILITY REPORT

CDW Holding Limited ("CDW" or the "Company") publishes a sustainability report annually. This sustainability report covers the operations of CDW and its subsidiaries (the "Group") in the business segment of LCD backlight units within the manufacturing facility in Shanghai managed by Crystal Display Components (Shanghai) Co., Limited ("CD Shanghai") and the headquarter office in Hong Kong (the "Hong Kong Office"), with data and activities reported from 1st January 2019 to 31st December 2019 (the "reporting year"). For this reporting year, CDW has expanded the reporting boundary to include one more operation location, i.e. the Hong Kong Office. Following CDW's Sustainability Report 2018 previously published in May 2019, this report continues to disclose the policies, practices, and performances of the Group. CDW plans to consistently review and refine its internal data collection process to expand the reporting scope to cover more operations.

Reporting Standards

The sustainability report is prepared in accordance with Singapore Exchange Securities Trading Limited's ("SGX-ST") Listing Rule 711A ("LR 711A") on sustainability reporting, and developed with reference to the five primary components set in SGX-ST Listing Rule 711B on the "comply or explain" basis. This report has been prepared 'in accordance with' the Core option of the sustainability reporting framework provided by Global Reporting Initiatives ("GRI") in the GRI Standards. The GRI framework was selected among all other reporting frameworks because it is most widely used, and adopting the GRI Standards increases comparability of CDW's disclosures with its peers. The disclosures in this report adhere to GRI's Reporting Principles for defining report quality – accuracy, balance, clarity, comparability, reliability, and timeliness.

CDW has engaged a professional consultancy, Carbon Care Asia ("CCA"), to perform stakeholder engagement, carbon assessment and report compilation to ensure the credibility and transparency of the sustainability report. Relevant topic-specific information is included in addition to the required disclosures by GRI to enhance transparency in disclosure. For further information on the relevant references, kindly refer to the GRI-SGX Content Index at the end of this report.

Confirmation and Approval

The policy, practice and performance data presented in this report was obtained from formal documents and operational statistics of CDW. The sustainability report has received endorsement from the Board of Directors in 2 June 2020.

Opinion and Feedback

CDW welcomes feedback from its stakeholders for further improvement in its sustainability performance and reporting. Please contact CDW Holding Limited via the following channels if you have any questions or feedbacks:

Address: Room 6-10, 11th Floor, CCT Telecom Building, 11 Wo Shing Street, Fo Tan, Shatin,
New Territories, Hong Kong

Email: mail@cdw-holding.com.hk
Tel: +852 2634 1511
Fax: +852 2690 3349

BOARD STATEMENT

We uphold the core values of knowledge, production capability and superior quality, with the aim to provide professional services and fulfil customers' needs, as well as to become their most reliable business partner ultimately. Our mission is to become the leading global outsourcing partner for niche precision components for the mobile communications, consumer and information technology equipment market. To achieve this mission, the Board of CDW considers sustainability as a key element in the formulation of its long-term strategies. As the Group's third sustainability report, it continues to record and reflect on CDW's progress in its sustainability journey.

The Board believes that effective stakeholder engagement is beneficial for the organisation, the trust and understanding gained from our stakeholders through the process will help CDW to pursue our purpose in the long run. During this reporting year, with inputs from our external and internal stakeholders, we revisited our material topics to address in this report, to ensure that our disclosures consistently align with our stakeholders' expectations. The Board is committed to the continuous improvement in stakeholder communication and will explore more effective ways to communicate with our key stakeholders on a regular basis.

The Board recognises issues of climate emergency and that the world needs to tackle them as a whole. CDW is determined to contribute to this climate change mitigation effort as a responsible corporate citizen by measuring and reducing our carbon emissions. For this cause, we have decided to continue to report on our carbon footprint even though the topic of emissions was not a material aspect raised by our stakeholders in the materiality assessment.

One designated member on the Board has been appointed to oversee all environmental, social and governance ("ESG") related issues. The Board is working on formal establishment of a sustainability committee to improve our sustainability governance structure further.

Guided by our focus in quality products, customer services and human, we concentrate our sustainability efforts in the following areas: building customers' trust; creating a safe, healthy and positive environment for our employees; collaborating with responsible suppliers; protecting the environment and ethical business conduct.

YOSHIKAWA Makoto
Chairman and Chief Executive Officer
CDW Holding Limited
Hong Kong, 2 June 2020

SUSTAINABILITY GOVERNANCE

The Audit Committee of CDW has the overall responsibility of directing sustainability initiatives. In order to strengthen the sustainability governance, the Board also appointed an executive director as the designated board member to be in charge of sustainable development in CDW. Furthermore, CDW is working actively on establishment of a sustainability working group within its subsidiaries. The Management at the Hong Kong Office will be included in the sustainability working group along with their peers in CD Shanghai to assist in standardised implementation of the sustainability initiatives on a Group level.

On the facility level, CD Shanghai has set up an Environmental Management Committee, with which the Deputy General Manager of CD Shanghai has been working closely for the execution of sustainability programmes. The Management at the Hong Kong Office has been communicating on a regular basis with the Board to take appropriate actions in case of any material changes in economic, environmental and social topics. CDW also has various working committees to oversee specific environmental or social matters, for example, the Information Security Committee was formed for effective protection of customer privacy.

CDW values process improvement and quality management, the operation of CD Shanghai has been accredited with ISO 9001 Quality Management and ISO 14001 Environmental Management. As one of CD Shanghai's key products has been used widely as display in automobile, CD Shanghai gained accreditation of IATF 16949: 2016 as well.

ESG RISKS AND OPPORTUNITIES

CDW has a robust risk identification and management system with an Enterprise Risk Management framework in place. The Risk Management Policy was established to provide guidance in risk mitigation, opportunity identification and internal control. The policy details various risks and opportunities CDW needs to pay attention to in its operation, as well as individual and departmental responsibilities in assessing and responding to risks and opportunities. At CD Shanghai, additional measures, such as Risk Management Control Procedure, are adopted to ensure a proactive approach to identify and mitigate potential risks in product design and development.

Given the results of materiality assessment conducted in the reporting year, issues related to water stress and water management have been deprioritised, whereas socioeconomic and environmental compliance continue to be among the material topics. The ESG-related risks have therefore been adjusted and CDW has specifically identified the following risk mitigation measures and relevant opportunities.

Risks	Mitigation and Opportunities
Talent Management Manufacturing industry faces more and more challenges to recruit, train and retain the competent workforce. Loss of skilled employees will contribute to poor operational performance, it will affect the organisation's business strategy negatively due to skill shortage and lack of internal candidates for critical roles.	**Fair Employment and Development Programme** CDW practises fair employment, all the employees enjoy benefits that are specified in the Employee Handbook, including paid sick leave, maternity leave, etc. CDW also offers its employees training and development opportunities for professional and personal growth. CD Shanghai conducted employee surveys regularly to identify areas for improvement, the most recent one scored 94% satisfaction rate among its employees.

Risks	Mitigation and Opportunities
Customer Health and Safety Customers' satisfaction is paramount to CDW. CDW believes that providing safe, high-quality products to the customers is not only the key to achieve customer's satisfaction, but also its responsibility as a producer. Nonconforming products will undermine customers' confidence and damage CDW's reputation.	**Product Quality Management** To safeguard customer health and safety, product quality management has been established in CDW. Risk management and control procedure, such as Nonconforming Product Procedures were specifically designed to address risks associated with design and manufacture failure. CD Shanghai was evaluated regularly to ensure it meets IATF 16949: 2016 Automotive Quality Management System standards.
Customer Privacy Personal data of customers and suppliers are involved in CDW's day-to-day business activities. Security risk emerges when cyber technologies are rapidly developing. Any loss or breach of customer privacy can result in non-financial damage such as customer confidence and business reputation.	**Data Protection Measures** The Group has implemented a number of measures to protect customer privacy, such as formulating standard procedures for employees regarding the access and storage of customer information.
Climate Change Climate change will remain one of the top risks faced by all companies, with the changing regulatory landscape across many countries towards more scrutiny over carbon emissions and reduction effort of business entities. CDW manufactures precision components, which require substantial resource input. Monitoring the energy and material use will help CDW prepare for rising energy and material costs in the context of global climate warming.	**Environment Management System** Being dedicated to environmental protection, CDW's Board and senior management have identified emissions as material, though their stakeholders did not rate this topic as critical. CDW's efforts to tackle energy and material waste includes training with general staff on energy-saving behaviours, continuous process improvement, and more stringent internal control for material consumption. CDW actively monitors environmental regulation changes for compliance and adaptation purposes.
Compliance CDW understands the importance of regulatory compliance as it prevents violation of the laws and unethical behaviour in its employees. Compliance forms the basis of trust stakeholders put into the Company, and violation of this trust could cause grave consequences, such as loss of revenue, loss of license to operate and lawsuits.	**Business Ethics and Regulatory Risk Management** CDW took active measures to identify and monitor relevant regulations that will affect its operations. A list of environmental laws and regulations that CDW is expected to comply with, is updated regularly. CD Shanghai is certified under ISO 14001: 2015 for its environmental management system. In terms of socioeconomic compliance, the Company stands strongly against bribery and corruption, which has been reflected in the Employee Handbook. CDW also established a set of whistle-blowing policy and procedures for all stakeholders to report possible improprieties within the operations of the Group.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is a key factor in determining the most relevant ESG aspects that CDW needs to focus on, which provides the Company with invaluable feedback from the stakeholders on where the Company's performance stands and what improvements are needed.

The Group performs formal stakeholder engagement periodically to confirm material sustainability topics for CDW and its stakeholders. CCA, commissioned by CDW, conducted a management interview and a survey for the reporting year, and analysed feedback from CDW's key stakeholders.

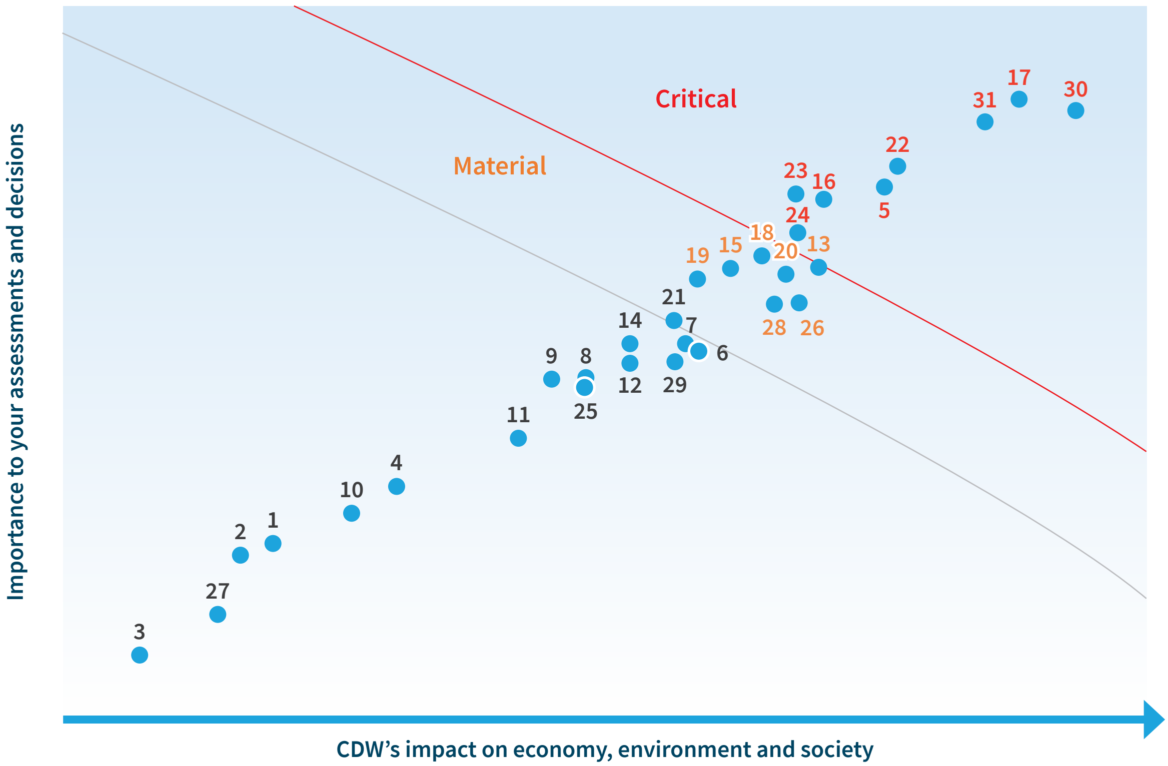
The key stakeholders identified by CDW are listed in the table below:

Internal Stakeholders	CDW Board of Directors
	CDW senior management
	CDW employees
External Stakeholders	Shareholders
	Investors
	Customers
	Suppliers
	Government
	Regulatory agencies
	Academic institutes
	Local social groups
	Media
	Employees' families
	Consulting professionals

Materiality determination process is detailed in the table below:

1 Identify relevant topics	2 Collect feedback from stakeholders	3 Prioritise material topics	4 Validate material topics
Management interview was conducted by independent consultancy to discuss company strategy in dealing with sustainability related risks, and management approach to sustainability topics; expert review helped CDW to identify 31 relevant topics	Links to bilingual online questionnaire were disseminated to a wide group of external and internal stakeholders of CDW. A total of 121 valid responses were collected.	Analysed materiality of sustainability topics using a materiality matrix; and prioritised the most critical aspects to be addressed.	CDW Board of Directors confirmed the material topics for sustainability reporting of 2019.

2019 Materiality Matrix of CDW



		Topics	Critical Factors	Material Factors
Economy	1	Economic performance		
	2	Market presence		
	3	Indirect economic impacts		
	4	Procurement practices		
	5	**Anti-corruption**	☑	☑
	6	Anti-competitive		
Environment	7	Materials		
	8	Energy		
	9	Water and effluents		
	10	Biodiversity		
	11	Emissions		
	12	Waste		
	13	**Environmental compliance**		☑
	14	Supplier environmental assessment		

		Topics	Critical Factors	Material Factors
Society	15	Employment system		☑
	16	**Labour/ management relations**	☑	☑
	17	**Occupational health and safety**	☑	☑
	18	Training and development		☑
	19	Diversity and equal opportunity		☑
	20	Non-discrimination		☑
	21	Freedom of association and collective bargaining		
	22	**Child labour**	☑	☑
	23	**Forced or compulsory labour**	☑	☑
	24	**Human rights assessment**	☑	☑
	25	Local communities		
	26	Supplier social assessment		☑
	27	Participation of public policy		
	28	Customer health and safety		☑
	29	Marketing and labelling		
	30	**Customer data protection and customer privacy**	☑	☑
	31	**Socioeconomic compliance**	☑	☑

Even though climate change and emissions were not ranked by CDW's stakeholders as a material topic, the Management acknowledged the importance of addressing climate related risks. As a result of this understanding, CDW will continue to disclose its emission inventory.

	Materials Factors	Boundaries								Impacts addressed in this Report
		Within the Operations[1]		Outside the Operations[2]						
		CDW Directors	Employees of the Group	Suppliers	Customers	Regulatory agencies	Professional bodies	Community/ NGO	Shareholders/ investors	
5	Anti-corruption	☑	☑	☑	☑	☑			☑	Ethical Operation
13	Environmental compliance	☑	☑		☑	☑		☑	☑	Environmental Protection
15	Employment	☑	☑			☑			☑	Valued Workplace
16	Labour/ management relations	☑	☑			☑		☑	☑	Valued Workplace
17	Occupational health and safety	☑	☑			☑				Valued Workplace
18	Training and development	☑	☑				☑		☑	Valued Workplace
19	Diversity and equal opportunity	☑	☑							Valued Workplace
20	Non-discrimination		☑			☑				Valued Workplace
22	Child labour		☑			☑				Valued Workplace
23	Forced or compulsory labour		☑			☑				Valued Workplace
24	Human rights assessment	☑	☑				☑	☑		Ethical Operation
26	Supplier social assessment		☑	☑			☑	☑		Supplier Collaboration
28	Customer health and safety	☑	☑	☑	☑	☑	☑	☑	☑	Customer Trust
30	Customer data protection and customer privacy	☑	☑		☑	☑	☑		☑	Customer Trust
31	Socioeconomic compliance	☑			☑	☑		☑	☑	Ethical Operation

1 *The boundary for impacts within the Operation aligns with the reporting boundary.*
2 *The boundary for impacts outside the Operation takes reference from the key external stakeholders identified for this reporting year.*

SUSTAINABLE OPERATIONS IN CDW

CDW values the achievement of corporate development and employee welfare together with the co-prosperity of other interested parties. This commitment to sustainable operations is stated in CDW Code of Business Conduct which was issued and made known to all employees. All of CDW's employees are expected to fully comply with laws and social norms to build and enhance social trust, to strive for perfection in completing tasks, and to create a positive and vigorous workplace with mutual understanding through dialogues.

Customer Trust

Customer Privacy

Customer privacy has always been important, but in today's business environment, with the fast development in digital technology, it is more than ever critical to safeguard customer data. The Management of CDW realise the negative impact of any information security incident to the business and reputation of the Group, therefore CDW Information Security Policy was implemented on the Group level. Under CDW Information Security Policy, Information Security Committee and Chairperson of the Committee are appointed to oversee the information security matters. Key measures set to protect information assets are also specified in the Policy, including compliance with laws and regulations, education and training, and prevention of accidents and response measures, etc.

Employees of CDW are well aware of protecting customers' data security. CDW Code of Business Conduct requires all employees to abide by nondisclosure of confidential information to any parties regardless of within or outside the Group. CD Shanghai has set written rules in Employee Handbook to state employees' responsibilities of protecting customers' privacy.

During the reporting year, there were no incidents of substantiated complaints in CD Shanghai and the Hong Kong Office concerning breaches of customer privacy, whether from external or internal parties, nor were there incidents of identified leaks, thefts, or losses of customer data.

Targets for 2019 (applicable to CD Shanghai only)	Status	Progress in 2019	Targets for 2020	
			CD Shanghai	Hong Kong Office
Provide relevant training to existing employees at least once a year	Achieved	All employees have been provided with training on Employee Handbook to get familiar with their responsibilities for customer privacy	Maintain zero incident concerning customer privacy	Join relevant seminars at least once a year and introduce some appropriate measures to existing employees

Customer Health and Safety

In line with CDW's business philosophy, which is to disseminate reliable Japanese technologies and credibility to the world, CDW strives for product reliability and excellence. CD Shanghai has a wide range of measures to ensure product quality and safety. Starting from material selection and procurement to processing and manufacturing, CD Shanghai has set high standards to guarantee all raw material are free of toxic chemicals. CD Shanghai has been certified under ISO 9001: 2015 and IATF 16949: 2016 for its quality management system and performs regular risk assessment associated with manufacturing process, maintenance and management of equipment and corrective and preventive measures with non-conforming products.

The focus on customer health and safety has been communicated to our employees through training programmes, such as handling customer requests and complaints, and training on non-conforming products.

There was no non-compliance concerning health and safety impacts of CDW products during the reporting year.

Targets for 2019 (applicable to CD Shanghai only)	Status	Progress in 2019	Targets for 2020	
			CD Shanghai	Hong Kong Office
Fewer than three times of customer complaints each month	Achieved	CD Shanghai received no customer complaints during the reporting year	Fewer than three times of customer complaints each month	Administration department staff members attend the customer health and safety related seminar
Provide relevant training to existing employees at least once a year	Achieved	Developed annual training plan and provided employees with relevant training	Provide relevant training to existing employees at least once a year	

Valued Workplace

Employment System

In today's talent-based economy, a talented and experienced workforce is the most important asset of an organisation. CDW has instituted various measures in order to support employees' well-being and continuous development. The Group has implemented formal procedures in human resource practices including hiring and recruiting, conditions of work, etc., which are documented in Employee Handbooks in both CD Shanghai and the Hong Kong Office. Employee benefits include paid sick leave, maternity leave, paternity leave, and medical insurance, etc.

As at 31st December 2019, the Group employed a total of 1,168 employees across the regions. There were 638 employees in CD Shanghai and 38 employees in the Hong Kong Office, all of whom were employed on full-time basis. Please see the table below for the breakdown of employees by region, gender and employment contract.

Age Group	CD Shanghai		Hong Kong Office	
	Permanent	Temporary/ fixed-term	Permanent	Temporary/ fixed-term
Male	40	9	22	0
Female	208	381	16	0

During the reporting year, CD Shanghai and the Hong Kong Office reported below statistics in new hires and turnover:

Age Group	CD Shanghai				Hong Kong Office			
	New Hires		Employee Turnover		New Hires		Employee Turnover	
	Male	Female	Male	Female	Male	Female	Male	Female
Under 30	2 (22%)	196 (120%)	2 (22%)	213 (130%)	0 (n.a.[3])	0 (n.a.[3])	0 (n.a.[3])	0 (n.a.[3])
Age 30-50	2 (5%)	292 (69%)	2 (5%)	209 (49%)	1 (5%)	0 (0%)	1 (5%)	2 (22%)
Above 50	0 (n.a.[3])	0 (n.a.[3])	0 (n.a.[3])	0 (n.a.[3])	1 (33%)	0 (0%)	4 (133%)	2 (29%)
Total	**492 (77%)**		**426 (67%)**		**2 (5%)**		**9 (24%)**	

3 *No employees in this category.*

There had been a high turnover rate in female employees under the age of 50 at CD Shanghai, which is a common phenomenon for factory operations in China. CDW will devise measures to retain talents and the sense of belonging of employees.

CDW respects employees' right to be informed about significant operational changes in the organisation. CD Shanghai has mandated a 30 days' notice to the labour union or all employees before any significant operational changes. Even though the Hong Kong Office does not specify a minimum days' of notice, the Management always consults employees on implementation of important changes, for example, currently the Hong Kong Office is seeking employees' opinions on proposed change of Mandatory Provident Fund service provider.

CDW is strictly against employing child labour in its operations. CD Shanghai has written rules to prohibit employing anyone under age of 16. The Hong Kong Office requires a copy of Hong Kong Identification Card and/or Passport to deter employment of any underage workers. CDW has also established policies to eliminate all forms of forced labour. CD Shanghai specifically listed "forced labour of any form" and "compulsory labour imposed that endangers health or safety of employees" as two conditions under which employees can terminate the employment contract unilaterally. Both CD Shanghai and the Hong Kong Office have stated clearly the official working hours in accordance to labour laws. Working outside normal working hours will be compensated with overtime payment. Operations at CD Shanghai and the Hong Kong Office do not involve significant risks for incidents of child labour or young workers exposed to hazardous work, or of forced or compulsory labour.

Targets for 2019 (applicable to CD Shanghai only)	Status	Progress in 2019	Targets for 2020	
			CD Shanghai	Hong Kong Office
Score 80 out of 100 in employee satisfaction	Achieved	Scored 94 out of 100 in employee satisfaction questionnaire	Maintain or improve employee satisfaction rate	Consider preparing employee satisfaction questionnaire
			Zero incident of child labour	Zero incident in employing underage workers, in full compliance with local laws and regulations
			Zero incident of forced or compulsory labour	Discourage overtime work

Diversity and Inclusion

CDW upholds the value of diversity and inclusion. In CD Shanghai, majority of the workforce are women. CD Shanghai offers maternity allowance for pregnant employees and nursing mothers, such as paid leave for prenatal check-ups, additional resting time for women during the third trimester of pregnancy, nursing time for breastfeeding mothers. The Hong Kong Office has set up Policy against Discrimination and Sexual and Disability Harassment, in which any form of discrimination based on sex, marital status, pregnancy, disability and/or family status is strictly prohibited.

CDW employs a diverse mix of employees, with gender and age distribution summarised below:

	Percentage by Gender		Percentage by Age Group		
	Male	Female	Under 30	Age 30-50	Above 50
Board of Directors	100%	0%	0%	50%	50%
Employees of CD Shanghai	8%	92%	27%	73%	0%
Employees at the Hong Kong Office	58%	42%	0%	74%	26%

During the reporting year, there were zero incident of discrimination.

	Targets for 2020
CD Shanghai	Zero incident of discrimination.
Hong Kong Office	Effectively implement company policy, no substantiated incident regarding diversity and equal opportunity.

Occupational Health and Safety

Safety and well-being of its employees is priority for CDW's Management. In order to establish a safe and healthy workplace for all employees, the Group has put in place a Risk Management Policy that provides a clear framework for safety risk management. All employees are provided with CDW Contact List for Emergency Reports for reporting emergency situations, such as natural disasters, infectious diseases, accidents, etc.

CD Shanghai performs regularly risk assessment regarding safety and health on its premises, through which risks are identified and risk levels are assessed. During the reporting year, for example, the fire hazard and chemical leakage in the operation were identified as potential risks, and corresponding mitigation measures were devised to protect the safety of employees. Additionally, the Management of CD Shanghai instituted Safety Management Committee, led by CD Shanghai's Deputy General Manager and supported by different department heads. Hidden Danger Investigation and Management Work Plan was carried out to provide detailed guidance on management and elimination of hidden dangers in workplace. Safety checks consist of daily checks, regular seasonal checks, safety checks before major holidays, and targeted checks, such as checks of electrical equipment, firefighting equipment, personal protective equipment, special working tools, etc. Once a safety risk is identified, the mandated corrective measures must be proposed and implemented within a relatively short fixed time period.

Employees are encouraged to abide by CDW's safety protocol and report any incident or problems with factory equipment, moreover, in the cases that safety risks were identified with regards to places, equipment or personnel that are not under direct management control but have a direct relationship with the Group, departments and employees who made the discovery are still encouraged to report. As a recognition of CD Shanghai's commitment to safety, its facility has been accredited with a Certificate in Work Safety Standardisation for Light Industry from the State Administration of Work Safety in China.

Due to the nature of Hong Kong Office being a trade office, most occupational health and safety initiatives aim to build a safe office environment for all of its employees. The Hong Kong Office has installed the fire extinguishers and emergency exits as required by Hong Kong's Fire Service (Installations and Equipment) Regulations and performed regular fire and evacuation drills. As required by Employee's Compensation Ordinance, all employees and work-related activities are covered under labour insurance.

As Hong Kong is prone to natural disasters, the Hong Kong Office has set protocols in times of extreme weathers in its Employee Handbook, such as typhoons and rainstorms. Furthermore, each department head communicates regularly with subordinates on the effectiveness of occupational health and safety management system among others and reflects their opinions to the management team.

Safety training is an integral part of the occupational health and safety management system as well. CD Shanghai organised occupational health and safety workshop for its employees to promote awareness of occupational health and safety, all department heads and employees subject to occupational hazards were required to attend. The workshop covered topics like legal rights of workers, legal responsibilities of employers to safeguard workers' health and safety, and common types of occupational diseases and occupational health hazards. During the reporting year, all employees were required to take a safety awareness test to enhance their understanding in CDW's safety goal and measures.

The Group has a Whistle-blowing Policy for employees to report any unlawful or unethical actions in the operation. All employees are made aware that they should report any action that may pose dangers to the safety and health of any individual. Retaliation against whistle-blower is prohibited and the identity of the complainant will be kept confidential wherever possible as stated in the Policy and Procedures for Reporting Possible Improprieties in Matters of Financial Reporting or Other Matters.

The Group took any work-related accidents very seriously. There was one recordable work-related injury in CD Shanghai that was due to a worker's falling at work. A full investigation report was recorded for timely and effective follow-up actions.

	CD Shanghai		Hong Kong Office	
	Number	Rate[4]	Number	Rate[4]
Fatalities as a result of work-related injury	0	0	0	0
High-consequence work-related injuries (excluding fatalities)	0	0	0	0
Recordable work-related injuries	1	0.13	0	0

Targets for 2019 (applicable to CD Shanghai only)	Status	Progress in 2019	Targets for 2020	
			CD Shanghai	Hong Kong Office
Improve the occupational health and safety management system	Achieved	Enhanced risk assessment of work-related hazards and received accreditation of Certificate in Work Safety Standardisation	Continue improvement of occupational health and safety management system	Participate in evacuation drills conducted by office building management; Increase the number of employees participating in the above evacuation drills
Increase training opportunities on occupational health and safety for employees in a relevant manner	Achieved	Provided occupational health and safety workshop and administered safety awareness test	Provide training opportunities on occupational health and safety for employees	

Training and Development

Training and development of employees is very important aspect of the business in CDW as the Group views its employees as the most valuable assets. Aside from occupational health and safety workshop mentioned above, CD Shanghai also engaged its employees in trainings that cover various topics, below is a non-exhaustive list of training courses provided to CD Shanghai employees during the reporting year:

Title of Training Courses
New employee orientation training
Trainings related to ISO 9001/14001 and IATF 16949
5S workplace organisation method
Human resource policy related training
Dangerous chemical management
Accounting training
Client management training
Benchmarking training

4 *Rate of recordable work-related injuries is calculated as the number of work-related fatalities or injuries divided by the number of hours worked, and then converted based on 200,000 hours worked (see formulas provided in GRI Standards 2018, Disclosure 403-9).*

Employees at the Hong Kong Office are encouraged to enhance their work-related skills and knowledge. The tuition of relevant course will be sponsored as the Company sees fit.

Average hours of trainings received by its employees of CD Shanghai and at the Hong Kong Office are summarised below:

Training and Education		CD Shanghai	Hong Kong Office
Average training hours by gender	Male	13.5	0.5
	Female	21.4	0.0
Average training hours by employee category	Senior Management	2.0	2.0
	Middle Management	3.0	0.1
	Entry-level/General Staff	22.8	0.0

CDW conducts regular performance and career development reviews. During the reporting year, the number and percentage of employees received performance reviews were:

Employees who received performance and career development reviews		CD Shanghai[5]		Hong Kong Office	
		Number	Percentage	Number	Percentage
By gender	Male	40	82%	22	100%
	Female	207	35%	17	100%
By employee category	Senior Management	3	100%	5	100%
	Middle Management	55	100%	19	100%
	Entry-level/General Staff	189	33%	15	100%

Targets for 2019 (applicable to CD Shanghai only)	Status	Progress in 2019	Targets for 2020	
			CD Shanghai	Hong Kong Office
Expand the scope of programmes and assistance to employees for their professional development	Achieved	Provided a wider range of trainings to employees to cover topics like human resource policy, 5S workplace organisation method, etc.	Continue to provide relevant training programmes to employees for their professional development	Join the relevant seminars and introduce some appropriate measures to existing employees

Supplier Collaboration

CDW is taking steps to move towards building a sustainable supply chain by engaging its suppliers in sustainable practices. Supplier assessment and procurement procedures constitute an indispensable part of CD Shanghai's risk identification and management system. CD Shanghai assesses its new suppliers through onsite visits as well as sample evaluation to determine whether the entity fulfils CDW's social, environmental and quality standards for its suppliers. In the case of the Hong Kong Office, as the suppliers are all pre-determined by its key customers, the relevant screening and selection based on social and environmental criteria were performed by the customer. The assessment has indicated that there are no significant risks for incidents of child labour or young workers exposed to hazardous work, or of forced or compulsory labour, among CD Shanghai's suppliers.

	CD Shanghai	Hong Kong Office
Percentage of new suppliers that were screened using social criteria	100%	Not applicable (no new suppliers)

Looking ahead, CD Shanghai will continue assessing all of its new suppliers against social and environmental criteria in the coming year.

Ethical Operation

CDW upholds business ethics and appreciates honesty and ethical practices of its management and employees. CDW Code of Business Conduct clearly states that one of the five articles of its Code of Conduct is to fully comply with laws and social norms to build and enhance social trust. The Group has zero tolerance for any forms of unlawful and unethical conducts, and has established a Group-level Whistle-blowing Policy to promote high standards of corporate governance within the Group. Employees, suppliers, customers and any other related parties are welcome to voice out their concerns about any improprieties, such as unlawful actions, professional or ethical malpractices, etc.

CD Shanghai communicates anti-corruption compliance to its employees through Employee Handbook, in which it outlines key requirements including prohibited conduct such as bribery and training on anti-competition laws.

During the reporting year, there were no confirmed incident related to corruption of any kind and no non-compliance with laws in the social and economic area that results in monetary or non-monetary sanctions at both CD Shanghai and the Hong Kong Office.

Anti-corruption		CD Shanghai[5]		Hong Kong Office	
Employees who received communication of anti-corruption policies and procedures	Senior Management	3	100%	0	0%
	Middle Management	55	100%	0	0%
	Entry-level/General Staff	555	100%	0	0%
Business partners who received communication of anti-corruption policies and procedures	Suppliers	45	100%	0	0%
	Customers	6	100%	0	0%
	Banks/Professional service providers	3	100%	0	0%
	Other business partners	0	0%	0	0%
Employees who received training on anti-corruption	Senior Management	3	100%	0	0%
	Middle Management	55	100%	0	0%
	Entry-level/General Staff	555	100%	0	0%

5 *In CD Shanghai, only permanent staff received performance reviews.*

The Group performs various internal audits yearly, including human resources control audit. CDW Internal Audit Team conducted on-site audit at Hong Kong Office to assess the adequacy and effectiveness of human resource management framework, although formal human rights review was not conducted at the Hong Kong Office. In addition to internal policies and procedures, CD Shanghai also underwent corporate social responsibility audit conducted by its major customer to ensure all social responsibilities, including human rights, were adequately addressed at CD Shanghai.

ENVIRONMENTAL PROTECTION

CDW believes that the Group should take lead in solving environmental issues and the commitment to environmental protection should be shared by all employees. The Group encourages all employees to report any improprieties in the operation that might cause damage to the environment.

CD Shanghai has established and maintained an environmental management system according to ISO 14001: 2015. The consideration of environmental footprints has been imbedded into various aspects of CDW's business, for example, CD Shanghai takes an active step in managing environmental impact as early as in the procurement stage. CD Shanghai's Green Procurement Management Protocol covers both materials procured and produced by CD Shanghai. It specifies management protocol starting from design stage all the way to production to ensure timely detection and exclusion of prohibited substances. Environmental risks, such as chemical leaks, noise level, effluent, etc. are regularly monitored in CD Shanghai. In the current reporting year, the Management rolled out two new initiatives to promote resource efficiency and effective recycling and management of electronic waste and other non-recyclable hazardous waste.

The Hong Kong Office adopted many programmes to promote green office setting. Environmental products and materials and equipment that carry energy labels are given priority during the procurement process. And consumption of resources, including but limited to electricity and water, is closely monitored. In terms of waste management, disposables are avoided as much as possible, and the Management started to weigh the waste every month starting in 2019 to effectively measure and manage waste production and recycling.

Environmental Compliance

Conforming to environmental laws and regulations is essential to every business and CDW takes its responsibility in environmental compliance very seriously. CD Shanghai keeps close monitoring of all relevant environmental laws and regulations that the operation needs to comply with, the list is regularly updated by designated personnel. Once relevant environmental laws and regulations are identified, corresponding control measures will be put into practice to ensure compliance. CDW's focus on environmental compliance does not limit to its internal operation, but extends to its supply chain. CD Shanghai performs supplier environmental assessment to check if the supplier's operation adheres to environmental regulations and standards and whether the supplier has any incident of non-compliance, such as complaint from residents in the neighbourhood of the factory, fines imposed by environmental regulatory bodies, and major leak or fires.

During the reporting year, there were no cases of non-compliance with environmental laws or regulations in CD Shanghai and at the Hong Kong Office.

Targets for 2019 (applicable to CD Shanghai only)	**Status**	**Progress in 2019**	**Targets for 2020** (for both CD Shanghai and the Hong Kong Office)
Zero incident of non-compliance with environmental laws and regulations	Achieved	No incident of non-compliance	Maintain zero incident of non-compliance with environmental laws and regulations
Actively monitor the changing regulatory requirements	Achieved	Actively tracking and monitoring applicable international, national and local environmental regulations and standards	Continue to monitor the changing regulatory requirements

Emissions

Climate change is a global problem that needs concerted effort from all parties, including various industries of business entities. CDW recognises that greenhouse gas ("GHG") emissions (or carbon emissions) are contributing factors to the climate change and it has been working with external professional consultancy CCA to quantify GHG emissions through carbon assessment. This year, the assessment has been expanded to include operations in both CD Shanghai and the Hong Kong Office.

Emissions				
Scope	Emission Source	Hong Kong office	CD Shanghai	
		Year 2019	Year 2019	Year 2018
Scope 1: Direct GHG Emissions[6] (tonnes CO_2-e)	Combustion of fuels in stationary sources	-	22.7	18.7
	Combustion of fuels in mobile sources	-	136.1	120.8
	Fugitive emissions from refrigeration equipment[7]	3.8	102.1	102.1
	Sub-total	**3.8**	**260.9**	**241.6**
Scope 2: Energy Indirect GHG Emissions[8] (tonnes CO_2-e)	CO_2 emissions from the generation of purchased electricity	45.8	2,182.8	1,932.0
	Sub-total	**45.8**	**2,182.8**	**1,932.0**
Scope 3: Other Indirect GHG Emissions[9] (tonnes CO_2-e)	Business travel by air	66.0	8.1	5.8
	Freshwater[10] consumption	0.05	-	-
	Sewage	0.03	-	-
	Paper waste disposal to landfill	5.4	-	-
	Sub-total	**71.5**	**8.1**	**5.8**
Total GHG Emissions (tonnes CO_2-e)		**121.1**	**2,451.8**	**2,179.4**
GHG Emissions Intensity (tonnes CO_2-e per thousand units of products)		-	0.33	0.26
GHG Emissions Intensity (tonnes CO_2-e per thousand dollar of income)		-	0.01	0.06

6 *The emission factors are obtained from the EMSD Guidelines and NDRC Guidelines for the Hong Kong office and CD Shanghai respectively.*

7 *Although refrigerant R-22 used in the refrigeration equipment is not within the six GHGs covered in the Kyoto Protocol, emissions from its leakage is included in the assessment to provide a true and fair account of GHG-related information.*

8 *The calculation of GHG emissions of purchased electricity for CD Shanghai is based on the China national average grid electricity GHG emission factor, obtained from "Notice on Improving Carbon Emissions Reporting, Verification and Emissions Monitoring 2018", while that of purchased electricity for the Hong Kong office is based on GHG emission factor from the CLP Sustainability Report 2018. As the source of emission factor for CD Shanghai is changed from last year, the GHG emissions of purchased electricity in 2018 is recalculated using the new emission factor to ensure fair comparison.*

9 *Emissions from business travel are calculated using ICAO's "Carbon Emissions Calculator", while the emissions from freshwater consumption, sewage and paper waste disposal to landfill are calculated using emission factors obtained from the WSD annual report 2017/18, DSD Sustainability Report 2016/17 and EMSD Guidelines respectively.*

The assessment was conducted with reference to international and local standards, including ISO 14064-1, Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010), and guidelines[11] released by the National Development and Reform Commission (NDRC) of the People's Republic of China. As the Hong Kong office was not included in the reporting scope last year, GHG emissions of the Hong Kong office and CD Shanghai are separately reported in this report, so as to facilitate comparison of GHG emissions of CD Shanghai with previous years' performance. In 2019, total GHG emissions of CD Shanghai manufacturing facility were approximately 2,451.8 tonnes CO_2-e. The primary source of GHG emissions was Scope 2 energy indirect emissions which was mainly contributed by the generation of purchased electricity, accounting for nearly 89% of the total in the reporting year.

A 27.5% increase of absolute GHG emissions was observed compared with 2018. It was mainly due to the increased use of purchased electricity (13.0% increase), associated with the Group's increased use of automated production equipment. Moreover, the production time increased compared to last year, due to the Group's transition to higher value-added products, i.e. medium-sized backlight with higher unit price. Other reasons for increase in GHG emissions included: increased stationary combustion of fossil fuels by cooking facilities due to larger number of staff and longer working hours, increased mobile combustion of fossil fuels due to increase number of long-distance customers and increased car usage. Although the production volume at CD Shanghai was lower in 2019, the total income increased in 2019 due to higher unit price of the products. Compared to 2018, the GHG emissions intensity in 2019 was 41.9% higher when expressed in tonnes CO2-e per thousand units of products, and 89.7% lower when expressed in tonnes CO_2-e per thousand dollars of income.

CDW set its GHG emissions and carbon intensity reduction target at 2% for the reporting year. While the Group was not able to meet the target for GHG emissions expressed in absolute terms, the carbon intensity reduction when expressed in tonnes CO_2-e per thousand dollars of income well exceeded the targeted value (89.7% vs 2%). For the Hong Kong office, Scope 3 emissions constituted the largest percentage (or 59%) of the total GHG emissions. This was mainly due to the amount of business travel by air.

Considering the impacts that air pollutants have on the ecosystem and human health, CDW seeks to monitor the air emissions emitted from its business activities. In the reporting year, air pollutants generated from the operations of CD Shanghai were:

Air Emissions			
Type of Air Pollutant	Emissions (kg)		
	Hong Kong office	CD Shanghai	
	Year 2019	Year 2019	Year 2018
Nitrogen oxides (NO_x)	-	654.5	463.6
Sulphur oxides (SO_x)	-	17.8	17.6
Respirable suspended particles (RSP)	-	16.2	9.4

10 Water bill of Hong Kong Office for the last quarter of the reporting year was not made available when the report content was finalised (government services affected by COVID-19); this assessment made use of estimated figures which may be restated in the next reporting year.

11 Guidelines for Accounting and Reporting Greenhouse Gas Emissions - Electronic Equipment Manufacturing Enterprises (Trial)

Due to the nature of office-based operations, there were no air pollutants detected at the Hong Kong office.

During the reporting year, CDW did not produce, import, use or export any ozone-depleting substances in its operations.

CDW is working towards further reduction of GHG emission, aside from energy efficiency of the equipment, CD Shanghai understands the importance of carbon reduction through user behaviour change. Therefore, training has been provided to employees to develop energy saving habits, like turning off lights when not in use. Material use is also part of the equation and CD Shanghai aims to reduce material consumption from the design to production stage. The Hong Kong Office has adopted energy and water saving initiatives to reduce electricity use from lights, air-conditioners and computers. Other resource use such as office paper is actively managed by implementing practices such as use of lower-weight paper, internet fax system and reuse of envelops and folders for internal documents. In addition, the Hong Kong Office strives to reduce direct emission and pollutants to the atmosphere by only purchasing vehicles that comply with Euro 6 emission standards and reduction of business trips.

Targets for 2019 (applicable to CD Shanghai only)	**Status**	**Progress in 2019**	**Targets for 2020**	
			CD Shanghai	Hong Kong Office
Achieve reduction in GHG emissions and carbon intensity by 2%	Partially achieved	Carbon intensity reduced by 89.7% when expressed in tonnes CO_2-e per thousand dollars of income; carbon emission in absolute amount have not been reduced due to change of product line	Continue with reduction efforts	Set up new garbage collection policy in order to promote recycling

GRI-SGX CONTENT INDEX

Disclosure	Description	SGX	Page	Remarks
GRI 102: General Disclosures 2016				
Organisational Profile				
102-1	Name of the organization	-	2	-
102-2	Activities, brands, products, and services	-	2-3	-
102-3	Location of headquarters	-	21	-
102-4	Location of operations	-	3, 21	-
102-5	Ownership and legal form	-	2, 4-5	-
102-6	Markets served	-	2, 6-11	-
102-7	Scale of the organization	-	29	-
102-8	Information on employees and other workers	-	29-30	-
102-9	Supply chain	-	34	-
102-10	Significant changes to the organization and its supply chain	-	-	Not available
102-11	Precautionary Principle or approach	-	23-24	-
102-12	External initiatives	-	23	-
102-13	Membership of associations	-	-	In review
Strategy				
102-14	Statement from senior decision-maker	LR711B-1e	22	-
102-15	Key impacts, risks, and opportunities	PN7.6-3.3	23-24, 26-27	-
Ethics and integrity				
102-16	Values, principles, standards, and norms of behaviour	-	22	-
Governance				
102-18	Governance structure	PN7.6-3.1	23	-
102-21	Consulting stakeholders on economic, environmental, and social topics	PN7.6-3.7	25	-
102-29	Identifying and managing economic, environmental, and social impacts	PN7.6-3.7	26-27	-
Stakeholder Engagement				
102-40	List of stakeholder groups	-	25	-
102-41	Collective bargaining agreements	-	-	In review
102-42	Identifying and selecting stakeholders	-	25	-
102-43	Approach to stakeholder engagement	-	25	-
102-44	Key topics and concerns raised	-	26-27	-

Disclosure	Description	SGX	Page	Remarks
Reporting practice				
102-45	Entities included in the consolidated financial statements	-	14	Not available
102-46	Defining report content and topic Boundaries	-	21	-
102-47	List of material topics	-	26-27	-
102-48	Restatements of information	-	36	Footnote 9
102-49	Changes in material topics and topic Boundaries	-	26-27	-
102-50	Reporting period	-	21	-
102-51	Date of most recent report	-	-	31 May 2019
102-52	Reporting cycle	-	21	Annually
102-53	Contact point for questions regarding the report	-	21	-
102-54	Claims of reporting in accordance with the GRI Standards	LR711B-1d	21	-
102-55	GRI content index	-	39-42	-
102-56	External assurance	PN7.6-3.8	-	In review
Material Topics				
GRI 205: Anti-corruption 2016				
103	Management approach disclosures	LR711B-1 b&c	34-35	-
205-2	Communication and training about anti-corruption policies and procedures	-	34-35	-
205-3	Confirmed incidents of corruption and actions taken	-	34	-
GRI 305: Emissions 2016				
103	Management approach disclosures	LR711B-1 b&c	36-37	-
305-1	Direct (Scope 1) GHG emissions	-	36	-
305-2	Energy indirect (Scope 2) GHG emissions	-	36	-
305-3	Other indirect (Scope 3) GHG emissions	-	36	-
305-4	GHG emissions intensity	-	36	-
305-5	Reduction of GHG emissions	-	37	-
305-6	Emissions of ozone-depleting substances (ODS)	-	38	-
305-7	Nitrogen oxides (NO_X), sulfur oxides (SO_X), and other significant air emissions	-	37-38	-
GRI 307: Environmental Compliance 2016				
103	Management approach disclosures	LR711B-1 b&c	35	-
307-1	Non-compliance with environmental laws and regulations	-	35	-

Disclosure	Description	SGX	Page	Remarks
GRI 401: Employment 2016				
103	Management approach disclosures	LR711B-1 b&c	29	-
401-1	New employee hires and employee turnover	-	30-31	-
GRI 402: Labor/Management Relations 2016				
103	Management approach disclosures	LR711B-1 b&c	29	-
402-1	Minimum notice periods regarding operational changes	-	29	-
GRI 403: Occupational Health and Safety 2018				
103	Management approach disclosures	LR711B-1 b&c	31-32	-
403-1	Occupational health and safety management system	-	31-32	-
403-2	Hazard identification, risk assessment, and incident investigation	-	31-32	-
403-3	Occupational health services	-	-	Not available
403-4	Worker participation, consultation, and communication on occupational health and safety	-	31	-
403-5	Worker training on occupational health and safety	-	31	-
403-6	Promotion of worker health	-	-	Not available
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	-	31-32	-
403-9	Work-related injuries	-	32	-
GRI 404: Training and Education 2016				
103	Management approach disclosures	LR711B-1 b&c	32-33	-
404-1	Average hours of training per year per employee	-	33	-
404-3	Percentage of employees receiving regular performance and career development reviews	-	33	-
GRI 405: Diversity and Equal Opportunity 2016				
103	Management approach disclosures	LR711B-1 b&c	30	-
405-1	Diversity of governance bodies and employees	-	30	-
GRI 406: Non-discrimination 2016				
103	Management approach disclosures	LR711B-1 b&c	30	-
406-1	Incidents of discrimination and corrective actions taken	-	31	-
GRI 408: Child Labour 2016				
103	Management approach disclosures	LR711B-1 b&c	30	-
408-1	Operations and suppliers at significant risk for incidents of child labour	-	30, 34	-
GRI 409: Forced or Compulsory Labour 2016				
103	Management approach disclosures	LR711B-1 b&c	30	-
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	-	30, 34	-

Disclosure	Description	SGX	Page	Remarks
GRI 412: Human Rights Assessment 2016				
103	Management approach disclosures	LR711B-1 b&c	35	-
412-1	Operations that have been subject to human rights reviews or impact assessments	-	35	-
GRI 414: Supplier Social Assessment 2016				
103	Management approach disclosures	LR711B-1 b&c	34	-
414-1	New suppliers that were screened using social criteria	-	34	-
GRI 416: Customer Health and Safety 2016				
103	Management approach disclosures	LR711B-1 b&c	28	-
416-1	Incidents of non-compliance concerning the health and safety impacts of products and services	-	29	-
GRI 418: Customer Privacy 2016				
103	Management approach disclosures	LR711B-1 b&c	28	-
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	28	-
GRI 419: Socioeconomic Compliance 2016				
103	Management approach disclosures	LR711B-1 b&c	24, 34	-
419-1	Non-compliance with laws and regulations in the social and economic area	-	34	-

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

CDW Holding Limited (the "Company") recognises the importance of and is committed to high standards of corporate governance and have put in place several monitoring mechanisms to ensure effective corporate governance within the Company and its subsidiaries (the "Group"). To this end, the Board of Directors ("Board") and Management are responsible in ensuring that the Company's corporate governance framework serves to enhance the Company's performance, accountability, transparency, protects the interests of the Company's stakeholders and maximises long-term shareholders' value for a sustainable long-term performance and value creation.

This report describes the corporate governance policies and practices of the Company with reference to the principles and provisions advocated in the Singapore Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore (the "Code") with the accompanying Practice Guidance on 6 August 2018, 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 proper accountability, high standards of corporate governance and corporate transparency. The Company is pleased to confirm that it has substantially adhered to the principles and guidelines of the Code and any deviation have been appropriately explained and provided for.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Company is led by an experienced Board that provides leadership and guidance to Management. Through the Board's entrepreneurial leadership, the Group has been able to achieve continued success.

The members of the Board for the financial year 2019 and as at the date of this report are:

YOSHIKAWA Makoto	(Chairman, Executive Director and Chief Executive Officer)
KATO Tomonori	(Executive Director and Chief Operating Officer)
DY MO Hua Cheung, Philip	(Executive Director and Chief Financial Officer)
CHONG Pheng	(Lead Independent Non-Executive Director)
LAI Shi Hong, Edward	(Independent Non-Executive Director)
MITANI Masatoshi	(Independent Non-Executive Director)
CHIA Seng Hee	(Independent Non-Executive Director – Appointed on 1 December 2019)

During the financial year ended 31 December 2019 ("FY2019"), as was in the past years, besides carrying out its statutory responsibilities, the key functions of the Board are:

i. playing an effective role in formulating the overall long-term strategic plans, performance objectives and direction for the Group, including appropriate focus on value creation, innovation and sustainability;

ii. overall responsibility for corporate governance, with oversight on day-to-day operations of management and affairs of the Group;

iii. approaching sustainability issues by 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 2019 ("SR 2019") which is set out on page 21 to page 42 of this Annual Report;

iv. reviewing periodic financial reports to assess its financial performance and implementing policies for risk management, internal controls and compliance;

v. assessing risks faced by the Group and reviewing and monitoring the adequacy of measures to mitigate such risks;

vi. approval of nomination of directors to the Board, changes in the composition of the Board, Board Committees and appointment of key management personnel; and

vii. 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 act objectively in their duties and responsibilities at all times as fiduciaries in the interests of the Group and hold Management accountable for performance. To ensure that specific issues are subject to in-depth and timely review, certain functions have been delegated to various Board Committees, which submit their recommendations or decisions to the Board. The Board Committees constituted by the Board are the Audit Committee ("AC"), Nominating Committee ("NC"), Remuneration Committee ("RC"), Investment Committee ("IC") and the newly established Risk Committee ("RIC") on 26 February 2020 (collectively, the "Board Committees"). Each Board Committee has been constituted with a clearly written terms of reference ("TOR") that has been approved by the Board. The TORs are reviewed on a regular basis to ensure continued relevance and consistency. The entire Board retains overall control even though it has established these Board Committees to support and 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 Board and Management fully appreciate that an effective and robust board whose members engage in open and constructive debate and challenge Management on its assumptions and proposals is fundamental to good corporate governance. The Directors on the Board have the appropriate core competencies and diversity of experience to enable them to contribute effectively and to objectively raise issues and seek clarification as and when necessary from the Board and Management on matters pertaining to their area of responsibilities.

The Company has adopted and documented internal guidelines which has been clearly communicated to Management governing matters that require formal Board approval. Matters specifically reserved for Board approval and where decisions by the full Board are required which include matters of 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).

To assist the Board in discharging its oversight functions and to enhance the Company's corporate governance framework, Management also has in place Investment Committee ("IC"). Members of the IC are appointed by Executive Directors from amongst the members of the Board. As at the date of this report, members of the IC are:

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

The primary function of the IC is to allocate resources and to evaluate potential investment projects which create value for the Company. The IC reports to the Board of Directors. The IC have its own TOR, which are reviewed on a regular basis.

Formal Board meetings were conducted regularly on a quarterly basis for the financial year ended 31 December 2019 to review and evaluate the Group's strategy, operations and performance. Additional meetings are convened when the circumstances warrant and/or resolutions in writing of the Board or Board Committees are circulated for matters that require the approval of the Board or Board Committees. Where a Director faces conflicts of interest, he shall recuse himself from discussions and decisions on the relevant matter. The Company's Bye-law allow for meetings to be conducted by way of teleconference and videoconference to facilitate participation by Board members and Management. The schedule of all Board and Board Committee meetings for each financial year is planned well in advance, in consultation with the Directors. In order to ensure that the Company's operations are not disrupted, notice and agenda of the meeting and documentation to the agenda item with complete, adequate and timely information provided to the Board and Board Committees prior to each meeting and on an on-going basis to enable the Board and the Board Committees' members to make informed decisions and discharge their duties and responsibilities to which the Board and Board Committees also obtains from Management information. As such, Management endeavours to circulate information for the Board and Board Committees' meetings at least 48 hours prior to the meetings to allow sufficient time for review.

The attendance of the Directors at the Board and Board Committees meetings for FY2019 is set out below:

Directors	**Board**		**Audit Committee**		**Nominating Committee**		**Remuneration Committee**		**Annual General Meeting**
	No. of Meetings	**Attended**	**No. of Meetings**	**Attended**	**No. of Meetings**	**Attended**	**No. of Meetings**	**Attended**	
YOSHIKAWA Makoto	5	5	–	–	–	–	–	–	1
KATO Tomonori	5	5	–	–	–	–	–	–	1
DY MO Hua Cheung, Philip	5	5	–	–	–	–	–	–	1
LAI Shi Hong, Edward	5	5	5	5	2	2	1	1	1
CHONG Pheng	5	5	5	5	2	2	1	1	1
MITANI Masatoshi	5	5	5	5	2	2	1	1	1
CHIA Seng Hee(Note 1)	–	–	–	–	–	–	–	–	–

Note:

1. CHIA Seng Hee was appointed on 1 December 2019.

The Directors receive 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 2019, some of the external courses attended by the Directors include:-

- New Guidance on Hong Kong Transfer Pricing Matters - conducted by Deloitte China;
- Annual Update on Financial Reporting - conducted by Ernst & Young Hong Kong;
- The Next Generation of Internal Auditing - conducted by Protiviti Hong Kong;
- PRC Individual Income tax reform - conducted by Ernst & Young Hong Kong; and
- PRC Individual Income tax reform - conducted by Deloitte Hong Kong.

- HKFRS 15 Sharing application experience - conducted by Hong Kong Institute of Certified Public Accountants
- HKAS 36 How to apply and practical issues - conducted by Hong Kong Institute of Certified Public Accountants
- Transfer pricing DIPN series, DIPN 60 Attribution of profits to permanent establishments in Hong Kong - conducted by Hong Kong Institute of Certified Public Accountants
- HKFRS 16 Leases Update and Practical Considerations - conducted by Hong Kong Institute of Certified Public Accountants
- Update on Revised HKSA 540 Auditing Accounting Estimates and Related Disclosures and Consequential Amendments to Other Hong Kong Standards - conducted by Hong Kong Institute of Certified Public Accountants
- Valuing Intangible Assets - conducted by Hong Kong Institute of Certified Public Accountants
- Updates on Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and Inside Information - conducted by Hong Kong Stock Exchange Limited

Newly appointed Directors will be provided with a formal letter upon appointment, setting out their commitments, their fiduciary duties and obligations, including their specific roles. New directors also undergo comprehensive orientation programme to familiarise themselves of the Group's business, operations, organisational structure, and corporate policies. They will be informed of the Board and Company policies and regulatory disclosure requirements. 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. Directors who have no prior experience being a director of a listed company in Singapore, 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.

During the course of the financial year, there was one (1) incoming director, Mr CHIA Seng Hee, who was appointed as Independent Non-Executive Director on 1 December 2019 and having prior experience as a director of a listed company has attended the course Listed Entity Director Essentials under the Listed Company Director Programme conducted by SID.

All directors are required to declare their board representations. When a director has multiple board representations, the NC will consider whether the director is able to adequately carry out his/her duties as a director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments.

The NC has reviewed and is satisfied that Mr CHIA Seng Hee, with multiple board representations and other principal commitments has been able to devote sufficient time and attention to the affairs of the Company to adequately and satisfactorily discharge the duties as director of the Company, notwithstanding multiple appointments and commitments in FY2019.

All Directors have separate and independent access to Management, other key management personnel, independent auditors and the company secretary Mr Leong Chee Meng Kenneth from 1 January to 30 September 2019, Ms Gwendoline Lee Soo Fern from 30 September 2019 to 6 December 2019 and Ms Tan Lay Hong with effect from 6 December 2019 via telephone, e-mail and meetings. Any cost of obtaining professional advice will be borne by the Company.

Principle 2: Board Composition and Guidance

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

The Board comprises of three (3) Executive Directors (including the Chief Executive Officer ("CEO")) and four (4) Independent Directors. Provision 2.2 of the Code is met where independent directors make up the majority of the Board where the Chairman is not independent. The Board has an appropriate balance of skills, knowledge and experience and is capable of exercising independent and objective judgement on corporate affairs of the Group.

The Board, with the assistance of the NC, will review its board size annually and determine what it considers to be an appropriate and balanced 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 and 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 adequately allows for 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 Mr CHONG Pheng, Mr LAI Shi Hong, Edward, Mr MITANI Masatoshi, and Mr CHIA Seng Hee, have confirmed that they and their family members 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 Provision 2.1 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. After due consideration, the Board concurred with the NC's view that Mr LAI Shi Hong, Edward demonstrated strong independence character and judgement over the years in discharging his duties and responsibilities as an Independent Director of the Company with the utmost commitment 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 to the business so as to mitigate against groupthink and to ensure that the Company has the opportunity to benefit from all available talents. In reviewing Board composition and succession planning, the NC will consider all aspects of diversity, including diversity of backgrounds, experience, age and competencies of our Directors, whose competencies range from finance and accounting to relevant industry knowledge, entrepreneurial and management experience. The Board has taken the following steps to maintain or enhance its balance and diversity, annual review by the NC to evaluate the size, composition and role of the Board and Board Committees where the methods and process for evaluating the effectiveness in fulfilling the duties and responsibilities, the NC shall identify gaps in the mix of skills, experience and other qualities required in an effective Board and recommend suitable candidates to fill the gaps and consider the results of these exercises in its recommendation for the appointment of new directors and/or the re-appointment of incumbent directors. This is beneficial to the Company and 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 page 16 to page 18 of this Annual 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 once during FY2019 without the presence of Management.

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

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Mr YOSHIKAWA Makoto is currently both the Chairman of the Board ("Chairman") and CEO of the Group.

The Board is of the view that its accountability and decision-making has not been compromised even though Chairman and CEO are the same person. With majority of the Board being independent, there is a sufficient element of independence and adequate safeguards against a concentration of power to one single person.

The single leadership structure adopted by the Group is to ensure that the decision-making process of the Group would not be unnecessarily hindered, with such structure approved by the Board following rigorous and thorough consideration.

As Chairman of the Board, Mr YOSHIKAWA Makoto leads and ensures effectiveness across the Board in all aspects. These include achieving and maintaining high standards of the corporate governance with the support of the Board, Management and Company Secretary, setting the board meeting agenda in consultation with Executive Directors and Management, and ensuring that adequate time is set 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 and oversight as to whether board members are provided with adequate and timely information. The Chairman also encourages active participation and contribution from all Directors and promotes a culture of openness and debate of the Board. He steers productive discussions between the Board and Management as well as ensures effective communications with Shareholders and other stakeholders.

In his role as CEO, Mr YOSHIKAWA Makoto 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.

Mr CHONG Pheng is the Lead Independent Director of the Company appointed to provide leadership in situations where the Chairman is conflicted and to provide a non-executive perspective and contribute to a balance viewpoint on the Board. Mr CHONG Pheng also acts as a principal liaison between the Independent Non-Executive Directors and the Chairman as and when required. Before every Board meeting, the Lead Independent Director will meet with the Chairman to brief him on the key items for discussion at each of the AC, NC and RC meetings. The Lead Independent Director is available to address any Shareholder concerns for which contact through normal channels with the Chairman, CEO or Management is inappropriate or inadequate. The Lead Independent Director also has the authority to call and lead meetings of the Independent Directors (without the presence of Management) whenever necessary, and to provide feedback to the Chairman after such meetings. As mentioned in Principle 2 above, the Independent Directors had met once during FY2019 without the presence of Management.

Principle 4: Board Membership

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Nominating Committee

The NC comprises of Mr MITANI Masatoshi (Chairman of the NC), Mr CHONG Pheng and Mr LAI Shi Hong, Edward. All members of the NC are Independent Directors. The Lead Independent Director is also a member of the NC.

According to the written TOR of the NC that has been approved by the Board, responsibilities of the NC, include but is not limited to, the following:

a) To review, assess and make recommendations to the Board on the appointment and re-appointment of directors (including alternate directors, if applicable) including making recommendations on any changes to the composition of the Board or Board Committees generally;

b) To regularly review and make recommendations to the Board on the structure, size and composition of the Board and Board Committees, having regard to the scope and nature of the operations, requirements of the business, 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, the appointment and/or replacement of the Chairman, CEO and key management personnel;

e) To determine annually if a Director is independent having regard to the circumstances set forth in the Listing Rules of the SGX-ST and 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 where a Director has multiple board representations, and/or other principal commitments;

g) To recommend to the Board guidelines to address any competing time commitments faced by Directors who serve on multiple boards and to determine the maximum number of listed company board representations to be held by each Director; and

h) To review the training and professional development programs for the Board and its Directors.

The responsibilities of the NC are, among other things, to make recommendations to the Board on all Board selection, appointment and re-appointment and/or changes to the composition of the Board and Board Committees and oversee the Board and succession and leadership development plans of the key management personnel. The NC will first seek to identify the competencies required to enable the Board or such Board Committee to effectively discharge its responsibilities. For new appointments, the NC, with suggestions from the Board and Management will identify the essential and desirable competencies for the particular appointment and if necessary, seek external channels to source for potential candidates. The NC then meets the short-listed candidates to assess their suitability and communicate the expectations and the level of commitment required of them. The recommendations are then put forth to the Board for its review and approval.

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-law 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 had reviewed the declaration of independence provided by each of the Independent Director in accordance with the Code and together with the Board consider a Director as independent if he has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere or be reasonably perceived to interfere with the exercise of the Director's independent business judgement with a view to the best interests of the Company. Under the Rules, a director will not be independent if (i) he is employed or has been employed by the Company or any of its related corporations for the current or any of the past three financial years; and (ii) he has an immediate family member who is employed or has been employed by the Company or any of its related corporations for any of the past three financial years, and whose remuneration is or was determined by the RC.

The NC, taking into consideration of the above, determined that Mr CHONG Pheng, Mr LAI Shi Hong, Edward, Mr MITANI Masatoshi, and Mr CHIA Seng Hee are independent according to the Code and Listing Rules and noted that half of the Board comprises Independent Directors. 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.

There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code and Listing Rules that would otherwise deem him not to be independent.

The NC has reviewed and recommended the re-nomination and re-election of Mr LAI Shi Hong, Edward and Mr YOSHIKAWA Makoto 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 LAI Shi Hong, Edward and Mr YOSHIKAWA Makoto are provided in the "Supplemental Information on Re-election of Directors" section of this Annual Report as set out on page 67 to page 74.

Pursuant to Bye-law 107(B), Mr CHIA Seng Hee will be retiring at the Company's forthcoming AGM and the NC has reviewed and recommended the re-election of Mr CHIA Seng Hee. Mr CHIA Seng Hee has brought along his extensive wealth of experience and knowledge from both the private and public sectors, substantially in Japan and China to the Group's business and currently embarks on a career as a professional director, specialising in corporate governance.

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-appointment as Director.

The NC's guideline adopted by the Board for the number of directorships in listed companies held by any Board member should not exceed five (5). None of the current Directors hold more than six (6) directorships in listed companies. On the basis that Mr CHIA Seng Hee will resign from one of his current directorship in the coming months, the NC has reviewed and is satisfied that Mr CHIA Seng Hee, with multiple board representations and other principal commitments has been able to devote sufficient time and attention to the affairs of the Company to adequately and satisfactorily discharge the duties as director of the Company, notwithstanding multiple appointments and commitments in FY2019. The NC has reviewed the board representations and principal commitments of each Director and is satisfied that all Directors have continued and will be able to diligently carry out their duties and commitments.

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 2019.

Key information regarding Directors as set out pursuant to Provision 4.5 of the Code is detailed on page 16 to page 18 of this Annual Report.

Principle 5: Board Performance

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The Board, through the NC, has established a formal evaluation process for assessing the effectiveness of the Board as a whole, the Board Committees and its individual Directors. The Board believes that such process is integral to effective stewardship and the long-term success of the Company.

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. There is no external facilitator involved in the Board evaluation process in FY2019.

REMUNERATION MATERS

Principle 6: Procedures for Developing Remuneration Policies

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Principle 7: Level and Mix of Remuneration

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Remuneration Committee

The RC comprises of Mr CHIA Seng Hee (Chairman of the RC), Mr CHONG Pheng, Mr MITANI Masatoshi, all of whom, including the RC Chairman are independent.

According to the written TOR of the RC, that has been approved by the Board, the responsibilities of the RC, include but is not limited to, the following:

a) Review and recommend to the Board a remuneration framework for the Board and Key Management Personnel ("KMP");

b) Review and recommend to the Board the specific remuneration packages and terms of employment for each Director and each KMP in the Group;

c) 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;

d) Review the following:

   (i) that no Director or KMP is involved in deciding his/her own remuneration;

   (ii) that all aspects of remuneration, including termination terms are fair and avoiding rewarding any poor performance;

   (iii) to review the Company's obligations arising from any termination of Executive Directors and KMP to ensure that their respective service contracts contain fair and reasonable termination clauses; and

   (iv) an appropriate level and structure of remuneration for the Board and all KMP.

e) 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 level of responsibility.

The RC has in place a remuneration framework for the Board and KMP covering all aspects of remuneration including directors' fees, salaries, allowances, bonuses, options, share-based incentives schemes benefits-in-kind and termination terms. All remuneration matters are ultimately approved by the Board. Each RC member does not participate in discussions, and abstains from decision-making pertaining to his remuneration, compensation, options and any form of benefits. Similarly, no Director is involved in deciding his/her own remuneration.

The RC may engage external remuneration consultants to seek guidance on appropriate remuneration standards. There being no specific necessity, the RC did not engage any remuneration consultants for FY2019.

To ensure that the remuneration packages of the Company's directors (including Non-Executive and Independent Directors) and KMP remains competitive and is in line with industry standards. The Company conducts a market survey of the compensation packages of executives in similar industries or companies listed in Singapore and Hong Kong is conducted once in every two (2) years for the purposes of benchmarking.

The key considerations taken by the RC in recommending the right level structure of remuneration for the Board and all KMP are:

i. significant and appropriate proportion of Executive Directors' and KMP's remuneration should be structured so as to link rewards to corporate and individual performance;

ii. that the remuneration of Independent Non-Executive Directors is appropriate to their level of contribution, taking into account factors such as effort and time spent and to ensure that Independent Non-Executive Directors are not compensated to the extent that their independence may be compromised; and

iii. remuneration is appropriate and proportionate to the sustained performance and value creation of the Company, bearing in mind the Group's strategic objectives.

The Company has implemented formal and transparent procedures and policies in relation to executive remuneration and for determining the remuneration packages of individual Directors.

Principle 8: Disclosure on Remuneration

The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

In order to maximise Shareholders' value and promote the long-term success of the Group, the Company seeks to attract, retain and motivate the Directors, Management and employees by offering competitive remuneration packages. The remuneration of Management and employees is set based on, inter alia, each individual's scope of responsibilities and prevailing market conditions. The Company rewards 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 Management and employees to achieve superior performance and promote the long-term growth of the Group.

The remuneration paid to the Directors and KMP for FY2019 is set out below:

DIRECTOR'S REMUNERATION

Name of Directors (Remuneration in SG$)	Salary	Benefits-in-kind	Directors' Fees	Performance bonus	Share options
YOSHIKAWA Makoto (SG$451,900)	88%	9%	–	–	3%
DY MO Hua Cheung, Philip (SG$323,400)	98%	–	–	–	2%
KATO Tomonori (SG$206,400)	96%	–	–	–	4%
CHONG Pheng (SG$97,000)	–	–	98%	–	2%
LAI Shi Hong, Edward (SG$61,800)	–	–	97%	–	3%
MITANI Masatoshi (SG$61,800)	–	–	97%	–	3%
CHIA Seng Hee (SG$5,000) (Note 1)	–	–	100%	–	–

Remuneration of Key Executives Officers and KMP (not being Directors)

Remuneration band, Name of Key Executive Officers and KMP	Salary	Benefits-in-kind	Directors' Fees	Performance bonus	Share options
SG$250,000 to SG$500,000					
CHAN Kam Wah	76%	21%	–	–	3%
Below SG$250,000					
MORITA Michio	68%	25%	–	7%	–
OCHI Shinichi	100%	–	–	–	–
SHINJO Kunihiko	96%	–	–	–	4%
WATANABE Katsuhiro	87%	7%	–	6%	–
YAMADA Tomokazu	80%	13%	–	7%	–
IMAI Junya	70%	25%	–	–	5%

Note:

1. The Director's remuneration of Mr Chia Seng Hee was for the period from 1 December 2019 to 31 December 2019 as he was appointed as Independent Non-Executive Director on 1 December 2019.

The total remuneration paid to the above key executives Officers and KMP for the financial year ended 31 December 2019 was approximately SG$1,295,400.

The Company has a formal and transparent remuneration policy to determine the remuneration packages of the individual Directors and key management personnel.

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 and subject to annual reviews, unless otherwise terminated by either party giving not less than three (3) months' written notice. Their compensation packages consist of fixed 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 or key management personnel is employed, there are no termination or retirement benefits that are granted to the Directors or key management personnel.

Having reviewed and considered the variable components of the Executive Directors 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 and key management executives in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

There were no employees who are immediate family members of the Directors, the CEO, and whose remuneration exceeded SG$100,000 during the year.

Employee Share Schemes

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 page 142 to page 144 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.

During the financial year 2019, 7,250,000 shares options had been granted on 21 August 2019 pursuant to ESOS 2018, details of which can be found on page 142 to page 144 of this annual report. No performance shares have been granted during the financial year ended 31 December 2019.

ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board has overall responsibility for the governance of risk while the AC is tasked to oversee the Group's risk management framework and system of internal controls. The framework and systems are put in place by Management to identify risks and document counter measures implemented to mitigate any identified risks in the Group's businesses so as to safeguard Shareholders' interests and the Group's assets. The Board acknowledges that it is responsible for the governance of risks and the overall internal control framework but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable but not absolute assurance against the occurrence of material errors or poor judgement in decision making.

Given that the AC reports directly to the Board and the Board has an oversight of the risk framework and system of internal controls in FY2019. The Board has on 26 February 2020 established a Risk Committee ("RIC") as part of the efforts to strengthen its risk management processes and framework, in overseeing the Company's risk assessment of potential investments, to determine the type and level of business risks that the Company undertakes on an integrated basis to achieve its strategic objectives and value creation and to manage risks via the frameworks and policies in place that are consistent with the Company's risk appetite. As at the date of this report, members of the RIC are:

CHONG Peng (Chairman)
LAI Shi Hong, Edward
CHIA Seng Hee

Management identifies potential risks, including financial, operational, compliance and information technology risks and ensures that sufficient and appropriate controls are in place to manage these risks. Such controls are monitored by the Board regularly and reviewed at least annually for its adequacy and effectiveness. All major risks and the suggested counter measures to mitigate such risks are analysed by Management and documented in the Group's risk register and discussed with the Board at the quarterly meetings. The risk management framework is intended to provide reasonable assurance against material financial misstatements or loss, and 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.

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 written assurances from the CEO and the CFO that for the financial year ended 31 December 2019 on 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 written assurances from the CEO and other key management personnel were also received on 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.

Management will continue to review and strengthen the control environment and devote resources and expertise towards improving its internal policies and procedures to maintain a high level of governance and internal controls.

Principle 10: Audit Committee ("AC")

The Board has an Audit Committee which discharges its duties objectively.

The AC comprises of Mr LAI Shi Hong, Edward (Chairman of the AC), Mr CHONG Pheng, Mr MITANI Masatoshi and Mr CHIA Seng Hee, all of whom, including the AC Chairman, are independent. 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 recent and relevant 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 all members of the AC possess the requisite expertise to effectively and objectively discharge the functions of an AC.

The AC does not comprise of any former partners or directors of Ernst & Young, the Company's external audit firm and none of the AC members hold any financial interest in the external audit firm.

According to the written TOR of the AC, that has been approved by the Board, the responsibilities of the AC, include:

a) Review the audit plans and reports of the external auditors and internal auditors, and consider the effectiveness of actions taken by Management on the recommendations and observations;

b) Review the assistance given by Management to the external auditors and internal auditors;

c) Review significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

d) Determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation;

e) Review and report to the Board at least annually, the adequacy and effectiveness of the Company's risk management and internal control systems and provide concurrence to the Board's comments on the adequacy and effectiveness of the same (including financial, operational, compliance and information technology controls) in the Company's Annual Report;

f) Review the assurance from the CEO and the CFO on the financial records and financial statement;

g) Review the audited financial statements of the Company and consolidated financial statements before approval by the Board;

h) Approve the hiring, removal, evaluation and compensation of the Head of the Internal Audit function, or accounting/auditing firm or corporation if the internal audit function is outsourced. The AC shall ensure that internal audit function has unfettered access to all the Company's documents, records, properties and personnel, including the AC, and has appropriate standing within the Company;

i) Make recommendations to the Board on proposals to shareholders on the appointment and removal of the external auditors and the remuneration and terms of engagement of the external auditors;

j) Review annually the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function;

k) Review the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;

l) 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.

m) Review any significant issues to ensure integrity of any announcements relating to the Company's financial performance;

n) To discuss problems and concerns, if any, arising from the quarterly/half-year 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;

o) 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;

p) 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;

q) 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;

r) 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;

s) 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;

t) 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);

u) 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;

v) 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;

w) To report to the Board its findings from time to time on matters arising and requiring the attention of the Committee;

x) To review interested person transactions (IPTs) falling within the scope of the Listing Manual;

y) To approve the hiring, removal, evaluation and compensation of the internal audit function; and

z) 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 quarterly during FY2019 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 FY2019, the AC discussed with Management and external auditors the audit work performed and accounting principles applied. The following significant matters impacting the financial statements were discussed with Management and external auditors and were reviewed by the AC:

Significant matters	How the AC reviewed these matters and what decisions were made
Impairment assessment of property, plant and equipment and right-of-use assets	The AC considered the approach and methodology applied to the impairment assessment of property, plant and equipment and right-of-use assets when indicators of impairment are identified. It involved determining the recoverable amounts by using value-in-use calculations based on cash flow forecast. 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 projection prepared by Management with the historical performance and the business plan incorporated in the projections. The impairment assessment of property, plant and equipment and right-of-use assets 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 2019. Please refer to page 82 of this Annual Report

Significant matters	How the AC reviewed these matters and what decisions were made
Impairment assessment of trade receivables	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 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 2019. Please refer to page 83 of this Annual Report.

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

The Company appoints Ernst & Young, a firm registered with the Accounting and Corporate Regulatory Authority to conduct audit on the financial statements of the Group. The Company is in compliance with Rule 712 and Rule 715 of the Listing Manual of the SGX-ST in relation to the appointment of its audit firms for the Group.

The AC has reviewed, amongst others, the independence of the external auditor, the standard of work, the quantum of fees for its non-audit services provided to the Group and the external auditor's confirmation of its independence. 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 for audit and non-audit fees paid to external auditors for FY2019 can be referred to page 122 of this Annual Report. Taking into consideration the foregoing, AC is pleased to recommend the re-appointment of the external auditors for FY2020.

The AC meets with its external and internal auditors without the presence of Management at least once a year.

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.

Whistle-Blowing Framework

The Group has an established whistle blowing policy that provides a channel for the Group's employees and third parties, to raise any concerns about possible improprieties or irregularities in matters of financial reporting, fraudulent acts in confidence and good faith. All whistleblowing matters fall under the purview of the AC which ensures that adequate measures are in place to carry out independent investigations of such matters and appropriate follow up actions. Details of the Group's whistle blowing framework and link to lodge concerns can be found on the Company's website: https://www.cdw-holding.com.hk.

There were no reported incident pertaining to whistleblowing during FY2019 until the date of this Annual Report. However, one of the Group's associate company, A Biotech Co., Limited ("A Bio") reported a whistle blowing by one of its staff. The investigation, including fact finding through interview with personnel and data collection through scanning digital storages, revealed that there was a dispute between A Bio and a company known as BlackTree Co., Limited ("BlackTree") in which A Bio's representative director had an interest as a shareholder and director. A Bio invested into BlackTree in proportion to a potential funding of US$20 million presented by the representative director. If the funding was successfully received, then the representative director's equity interest would be reduced to minimal. However, BlackTree failed to secure this potential funding under the indicative timetable and the representative director remained as the majority shareholder at the expense of A Bio paying a high premium for the investment into BlackTree. The investigation led to the removal of the representative director upon identification of certain procedural irregularities, and revealed that BlackTree had used the fund invested by A Bio without A Bio's knowledge. Since then, A Bio took certain legal procedures against BlackTree to resolve this dispute and to safeguard the interest of A Bio. Unfortunately, those legal procedures did not bring any fruitful result. A Bio is in the process of obtaining further advice from the lawyer, and of changing the management and board of A Bio where Mr Yoshimi Koichi has been appointed as A Bio's chief executive officer.

Internal Audit

The Company has an internal audit department and the AC is satisfied that the internal audit function, staffed with persons with who are suitably qualified and experienced professionals possess the relevant experience to carry out the internal audit functions of the Group. The internal auditor is a member of the Institute of Internal Auditors ("IIA") and has adopted the Standards for the Professional practice of Internal Auditing (IIA Standards) laid down in the International Professional practices Framework issued by the IIA. The internal auditors report primarily to the Chairman of the AC. Any hiring, removal, evaluation and compensation of the head of the internal audit is decided by the AC. 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 the Group's documents, records, properties and personnel, including the AC, and has an appropriate standing within the Company.

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 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 and now in 2020 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 ENGAGEMENT

Principle 11: Shareholder Rights and Conduct of General Meetings

The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Company is committed to treating its Shareholders fairly and equitably. It is mindful of its obligation to provide timely disclosure of all material developments that impact the Group as prescribed in Appendix 7.1 (Corporate Disclosure Policy) of the Listing Manual of the SGX-ST.

Shareholders are informed of shareholder's meetings through notices contained in annual reports or circulars sent to all shareholders. These notices are also published in the newspaper and posted onto SGXNET where shareholders are invited to attend the general meetings to put forth any questions they may have on the motions to be debated and decided upon.

The Company's Bye-law 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. 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 ensures that shareholders can participate effectively in and vote at the general meetings of shareholders. All rules and voting procedures for such meetings are communicated to Shareholders. The general meetings are attended by the Board of Directors and Company Secretary to address any queries raised at the general meeting. The Chairman of the meeting allows for any queries for a specific Board Committee to be addressed by the Chairman of that Committee. External auditors are also present to address any relevant queries regarding the conduct of audit and the preparation and content of the auditor's report.

The Company tables separate resolutions at such shareholder general meetings on each distinct issue and the necessary information for each resolution is provided for so as to enable shareholders to exercise their vote on an informed basis. All resolutions are put to vote by poll. The total number and percentage of votes cast for or against each resolution will be announced to the public on the same day after the meetings on the SGX-ST via SGXNET pursuant to the requirements of the listing rules.

The minutes of such general meetings is prepared by the Company Secretary and approved by the Chairman. The Company does not publish such minutes on the SGXNet and its company website as contemplated by Provision 11.5 given the potential adverse implications for the Company in doing so. The minutes of the AGM of the FY2019 will be published on the SGXNet and its company website within one (1) month from the date of AGM.

The Company currently does not have a formal or fixed policy on the payment of dividends. The Company is of the view that a fixed dividend policy can hinder the long-term growth strategy of the Group. 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 second interim dividend for the financial year ended 31 December 2019, making the total annual dividends as 1.1 US cents per ordinary share.

Principle 12: Engagement with Shareholders

The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The general meetings of the Company are the principal forum for dialogue between shareholders and Directors and Management of the Company. Shareholders are given the opportunity to communicate their views and ask Directors and Management any questions regarding the Company and the Group. As and when appropriate, Management may also, conduct media interviews to provide Shareholders and the public with a deeper insight of the Group's business and strategies. The Company also maintains and updates its corporate website with relevant corporate developments. The Lead Independent Director also serves as a channel of communication between shareholders and the Board and Management.

The Company disseminates its latest corporate news, strategies and announcements promptly through SGXNET, press releases, various media and via the investor relations' team through which an ongoing exchange of views will be taken place so as to actively engage and promote regular, effective and fair communication with shareholders and potential investors. All price-sensitive information is announced to the public on a timely basis.

All Shareholders of the Company will receive the Annual Report and the notice of any general meetings, with such notice is advertised in a local newspaper and made available on SGXNET. The Company does not practice selective disclosure. The Company ensures that its shareholders are notified of all material information in an accurate and timely manner. Shareholders and investors may contact the Company or access information regarding the Company on its website which provide, inter alia, corporate announcements, press releases and the latest financial results as released by the Company on SGXNET.

MANAGING SHAREHOLDERS RELATIONSHIPS

Principle 13: Engagement with Stakeholders

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Group understands and response to the needs and ideas of stakeholders which are key to achieving business sustainability and satisfactory outcomes for stakeholders. The Group's stakeholders are those who are materially influencing or affected by the Group's business. Stakeholders' inputs lead the Group in shaping priorities and activities.

The Group constantly engages its key internal and external stakeholders through multiple channels, for instance, direct mails, written reports, presentation, regular meetings, hotlines (e.g. whistleblowing hotlines), Annual General Meetings, and announcements on SGXNet. In response to the changing needs and demands from local regulatory agencies and community groups, the Group also regularly organizes meetings, seminars, community visits, study trips, and community service activities to engage these groups of external stakeholders.

Stakeholders' feedback guides the Group to review potential risks and opportunities and formulate corresponding sustainability strategy. CDW has engaged an external consultancy to conduct materiality assessment in the procedures shown below. Building upon the materiality analysis results of reporting, the assessment has identified the material topics for CDW and different stakeholder groups.

The Company regularly engage our stakeholders through various medium and channels to ensure that our business interests are aligned with those of our stakeholders, to understand and address the concerns so as to improve services and products' standards, as well as to sustain business operations for long-term growth.

The Company has identified key areas of focus in relation to Management of stakeholder relationships. The details on the key areas of focus are included in the Sustainability Report on page 25 to page 27 of this Annual Report.

The Company maintains a website at https://www.cdw-holding.com.hk to communicate and engage with stakeholders.

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 2019 or entered into since the end of that financial year.

DEALING IN SECURITIES

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

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

In connection with the share buyback mandate, the Company has also put in place a share buyback policy and confirmed that it has adhered to its policy for securities transactions for FY2019.

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:

Name of interested person	Nature of relationship	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$100,000)
		US$'000	US$'000
Mr YOSHIMI Kunikazu - Payment of advisory fee	Controlling shareholder	65	–
Mr YOSHIMI Koichi - Interest on consideration of disposal of 280,000 shares of A Biotech Co., Limited	Associate of the controlling shareholder	39	–
A Biotech Co., Limited - Provision of services under Joint Research and Development and Assistance Agreement	Associate of the controlling shareholder	516	–
- Provision of services under Memorandum for Management Support		35	–
- Supply of consumables		14	–
Total		669	–

SUPPLEMENTAL INFORMATION ON RE-ELECTION OF DIRECTORS

PURSUANT TO LISTING RULE 720(6)

Name of Director	**YOSHIKAWA Makoto**	**LAI Shi Hong Edward**	**CHIA Seng Hee**
Date of first appointment as a Director	1 February 2017	5 August 2004	1 December 2019
Date of last re-appointment/ re-election as a Director	28 April 2017	28 April 2017	Not applicable
Age	46	55	59
Country of principal residence	Japan	Hong Kong	Singapore
The Board's comments on the re-election	Mr Yoshikawa Makoto is The Chairman and Chief Executive Officer and is instrumental for the overall operations and strategy, planning and development of the Group. 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 Yoshikawa for re-election as Executive Director.	Mr. Lai Shi Hong, Edward is the Chairman of the Audit Committee 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. 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. Lai for re-election as Non-Executive and Independent Director.	Mr. Chia Seng Hee is a newly added Non-executive and Independent Director. He is the Chairman of the Remuneration Committee and has brought different competencies, experiences, skill and knowledge, improvement to the Board. 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. Chia for re-election as Non-Executive and Independent Director.
Whether appointment is executive and if so, the area of responsibility	Executive. Mr Yoshikawa is the Chairman and the Chief Executive Officer of the Company and he 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 of the Group	Non-executive	Non-executive
Job title	• Chairman • Chief Executive Officer • Investment Committee (Member)	• Independent Director • Audit Committee (Chairman) • Nominating Committee (Member) • Risk Committee (Member)	• Independent Director • Audit Committee (Member) • Remuneration Committee (Chairman) • Risk Committee (Member)

SUPPLEMENTAL INFORMATION ON RE-ELECTION OF DIRECTORS

PURSUANT TO LISTING RULE 720(6)

Name of Director	YOSHIKAWA Makoto	LAI Shi Hong Edward	CHIA Seng Hee
Professional qualifications	• Graduated from Trident College of Information Technology Osaka	• Bachelor of Arts, University of Hong Kong • Master of Science Degree in Corporate Governance and Directorship, Hong Kong Baptist University • Fellow of the Hong Kong Institute of Certified Public Accountants • Fellow of the Institute of Chartered Accountants in England and Wales • Fellow of the Association of Chartered Certified Accountants	• Degree in Accountancy, National University of Singapore • Master of Arts in International Relations, International University of Japan • Fellow of the Institute of Singapore Chartered Accountants • General Manager Program, Harvard Business School
Working experience and occupation(s) during the past 10 years	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.	Mr Lai has more than 32 years of experience in finance 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. Mr Lai was re-designated from the Company's executive director to a non-executive director in October 2011. • Director, Liuzhou Wuling Motors Industrial Company Limited (From 2007 to Present) • Director, Xing Hua (Hong Kong) CPAs Limited (From 2011 to Present) • Director, Xing Hua Consulting Services Limited (From 2011 to Present)	Mr Chia spent 20 years in both private and public sectors, substantially in Japan and China with Arthur Anderson, Singapore Technologies, the Government of Singapore Investment Corporation (GIC) and the Enterprise Singapore Board. Mr Chia currently embarks on a career as a professional director, specialising in corporate governance. • Director, Combine Will International Holding Limited (From 2008 to Present) • Director, Dukang Distillers Holdings Limited (formerly known as Trump Dragon Distillers Holdings Limited) (From 2008 to Present) • Director, Debao Property Development Limited (From 2013 to Present) • Director, MM2 Asia Limited (From 2014 to Present) • Director, Ying Li International Real Estate Limited (From 2018 to Present)

Name of Director	YOSHIKAWA Makoto	LAI Shi Hong Edward	CHIA Seng Hee
			• Director, China Hongcheng International Holdings Limited (From 2007 to 2016) • Director, Sunray Holdings Limited (From 2007 to 2015) • Director, Shanghai Turbo Enterprises Limited (From 2008 to 2018) • Director, AGV Group Limited (From 2016 to2018) • Director, Guangzhao Industrial Forest Biotechnology Group Limited (From September 2011 to October 2011) • Director, Lifebrandz Limited (From August 2018 to November 2018)
Shareholding interest in the Company and its subsidiaries	• 500,000 ordinary shares of the Company • 120 ordinary shares of TM Japan • 1,500,000 share options to subscribe for the Company's ordinary shares	• 300,000 ordinary shares of the Company • 250,000 share options to subscribe for the Company's ordinary shares	• 500 ordinary shares of the Company
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

SUPPLEMENTAL INFORMATION ON RE-ELECTION OF DIRECTORS

PURSUANT TO LISTING RULE 720(6)

Name of Director	YOSHIKAWA Makoto	LAI Shi Hong Edward	CHIA Seng Hee
Other principal commitments (including directorships) – Present	• Director, Tomoike Industrial (Hong Kong) Holding Limited • Director, Tomoike Industrial (H.K.) Limited • Director, Tomoike Industrial Co., Limited • Director, Wah Hang Precision Machinery (H.K.) Limited • Director, Crystal Display (Shanghai) Holding Limited	• Director, Liuzhou Wuling Motors Industrial Company Limited • Director, Xing Hua (Hong Kong) CPAs Limited • Director, Xing Hua Consulting Services Limited • Director, Dragon Hill Development (Hong Kong) Limited • Director, DH Corporate Services Limited • Director, Dragon Hill (HK) Limited • Director, Tech Rhino International Limited • Director, Supreme Leader International Limited • Director, King Power Limited	• Independent and Non-Executive Director, Combine Will International Holding Limited • Independent and Non-Executive Director, Dukang Distillers Holdings Limited (formerly known as Trump Dragon Distiller Holdings Limited) • Independent and Non-Executive Director, Debao Property Development Limited • Independent and Non-Executive Director, MM2 Asia Limited • Lead Independent Director, Ying Li International Real Estate Limited
Other principal commitments (including directorships) – Past, for the last 5 years			• Director, China Hongcheng International Holdings Limited (From 2007 to 2016) • Director, Sunray Holdings Limited (From 2007 to 2015) • Director, Shanghai Turbo Enterprises Limited (From 2008 to 2018) • Director, AGV Group Limited (From 2016 to2018) • Director, Guangzhao Industrial Forest Biotechnology Group Limited (From September 2011 to October 2011) • Director, Lifebrandz Limited (From August 2018 to November 2018)

Name of Director	YOSHIKAWA Makoto	LAI Shi Hong Edward	CHIA Seng Hee
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
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?	No	No	No
c. Whether there is any unsatisfied judgement against him	No	No	No

SUPPLEMENTAL INFORMATION ON RE-ELECTION OF DIRECTORS

PURSUANT TO LISTING RULE 720(6)

Name of Director	YOSHIKAWA Makoto	LAI Shi Hong Edward	CHIA Seng Hee
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
f. Whether at any time during the last 10 years, judgment 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

Name of Director	YOSHIKAWA Makoto	LAI Shi Hong Edward	CHIA Seng Hee
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
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:	No	No	No
(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
(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

SUPPLEMENTAL INFORMATION ON RE-ELECTION OF DIRECTORS

PURSUANT TO LISTING RULE 720(6)

Name of Director	YOSHIKAWA Makoto	LAI Shi Hong Edward	CHIA Seng Hee
(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
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 2019.

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 2019 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)
KATO Tomonori	(Executive Director and Chief Operating Officer)
DY MO Hua Cheung, Philip	(Executive Director and Chief Financial Officer)
CHONG Pheng	(Lead Independent Non-Executive Director)
LAI Shi Hong, Edward	(Independent Non-Executive Director)
MITANI Masatoshi	(Independent Non-Executive Director)
CHIA Seng Hee	(Independent Non-Executive Director - Appointed on 1 December 2019)

In accordance with Bye-Laws 104 of the bye-laws of the Company, YOSHIKAWA Makoto and LAI Shi Hong, Edward retire, and YOSHIKAWA Makoto and LAI Shi Hong, Edward, being eligible, offers themselves for re-election.

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

3. Arrangements to Enable Directors to Acquire Shares and Debentures

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

4. Directors' Interests in Shares and Debentures

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

	Direct interests		Deemed interests	
Name of directors and companies in which interests are held	**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 (2018: 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	–	–
CHIA Seng Hee	–	500	–	–

	Options to subscribe for ordinary shares	
The Company	**At the beginning of financial year**	**At the end of financial year**
YOSHIKAWA Makoto	–	1,500,000
KATO Tomonori	500,000	1,000,000
DY MO Hua Cheung, Philip	500,000	1,000,000
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 2020.

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

5. Directors' Contractual Benefits

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

6. **Share Options**

Options to take up unissued shares

The Company adopted the CDW Employees' Share Option Scheme 2013 (the "2013 Scheme") which was approved by the shareholders of the Company pursuant to the resolutions passed on 29 April 2013. The 2013 Scheme 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 great dedication, loyalty and higher standards of performance.

On 29 May 2019, 6,250,000 unexercised share options were lapsed and cancelled at the expiry of the share options granted under CDW Employees Share Option Scheme 2013.

On 21 August 2019, the Chief Executive Officer of the Company proposed to grant options to six directors and three senior executives (the "Participants") to subscribe for a total of 7,250,000 ordinary shares of US$0.04 each in the capital of the Company, pursuant to CDW Employees Share Option Scheme 2018. This proposal was adopted and administrated by the Remuneration Committee. The options granted were accepted by the Participants in August 2019. The option was exercisable at S$0.14 per share with an exercise period commencing from 21 August 2021 to 20 August 2024 (both days inclusive).

During the period from the date of acceptance to 31 December 2019, no share option was allowed to be exercised and no share options were neither lapsed nor cancelled. The number of outstanding share options as at 31 December 2019 was 7,250,000 with exercise price at S$0.14 (31 December 2018: 6,250,000 with exercise price at S$0.216).

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 comprised three directors, who were CHONG Pheng, LAI Shi Hong, Edward and MITANI Masatoshi.

6. Share Options (continued)

Unissued shares under options exercised

The number of shares available under the 2013 Scheme and the 2018 Scheme shall not exceed 15% of the issued share capital of the Company. Share options granted during the period from 1 January to 31 December 2019 and the number of outstanding share options under the 2013 Scheme and the 2018 Scheme are as follows:

Date of grant	Balance at 1 January 2019	Cancelled/ Lapsed	Granted	Exercised	Balance at 31 December 2019	Exercise price per share	Exercisable period
2013 Scheme							
30 May 2014	6,250,000	(6,250,000)	–	–	–	SG$0.216	30 May 2016 to 29 May 2019
2018 Scheme							
21 August 2019	–	–	7,250,000	–	7,250,000	SG$0.140	21 August 2021 to 20 August 2024

In respect of share options granted to employee of the Group, 6,250,000 (2018: 500,000) were lapsed and new options of 7,250,000 were granted (2018: Nil) on 21 August 2019.

The number of shares 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.

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)	–

6. Share Options (continued)

Unissued shares under options exercised (continued)

Notes:

1. 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.

2. Option granted prior to Mr. KATO Tomonori's appointment as a Director of the Company on 30 April 2018.

Details of the options to subscribe for ordinary shares of the Company granted to directors of the Company pursuant to the 2018 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	Aggregate options outstanding as at the end of financial year
YOSHIKAWA Makoto	1,500,000	1,500,000	–	–	1,500,000
KATO Tomonori	1,000,000	1,000,000	–	–	1,000,000
DY MO Hua Cheung, Philip	1,000,000	1,000,000	–	–	1,000,000
CHONG Pheng	250,000	250,000	–	–	250,000
LAI Shi Hong, Edward	250,000	250,000	–	–	250,000
MITANI Masatoshi	250,000	250,000	–	–	250,000

7. Share Performance

The Company adopted the Share Performance Scheme 2018 (the "Performance Scheme") which was approved by the shareholders of the Company pursuant to the resolutions passed on 22 June 2018. The rules of the Performance Scheme 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 Performance Scheme and the 2018 Scheme (as defined above) shall not exceed 15% of the issued share capital of the Company.

The Performance Scheme is a performance incentive scheme which form an integral part of the Group's incentive compensation programme. Under this scheme, the Company is allowed to grant 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, CHIA Seng Hee, CHONG Pheng and MITANI Masatoshi.

During the year ended 31 December 2019, 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, MITANI Masatoshi and CHIA Seng Hee, 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.

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

2 June 2020

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 2019, 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 2019 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 *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "Code"), issued by the International Federation of Accountants ("IFAC"), 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.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment and right-of-use assets	
As at 31 December 2019, the Group had property, plant and equipment and right-of-use assets in the carrying amounts of US$6,538,000 and US$3,447,000, respectively. The property, plant and equipment mainly related to plant and machinery, and leasehold improvements for the manufacturing business of the Group. Right-of-use assets mainly related to lease of properties and motor vehicles and machineries for the trading and manufacturing businesses of the Group. Management carried out an impairment assessment of these assets. This involved determining the recoverable amounts as at 31 December 2019 by using value in use calculations based on discounted cash flow forecasts. The impairment assessment is complex and includes significant judgements and assumptions applied by management, that are affected by expected future market or economic conditions. Reversal of impairment losses of US$53,000 and US$977,000 for items of property, plant and equipment and right-of-use assets, respectively, were recognised during the year. Related disclosures are included in notes 3, 11 and 12 to the financial statements.	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 terminal 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. We also assessed the disclosures relating to the key assumptions used in discounted cash flow forecasts for the impairment assessment.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
The carrying amount of the Group's net trade receivables was US$31,937,000 at 31 December 2019. Significant judgement and estimation by management are involved in the assessment of impairment, based on the lifetime expected credit losses ("ECL") 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. Provision of trade receivables of US$359,000 was recognised during the year. Related disclosures are included in notes 3 and 19 to the financial statements.	Our audit procedures included, among others, involving our valuation specialists to assist us in evaluating the methodologies and assumptions used by management in ECL assessment. We (i) evaluated the external valuer's competence, capabilities and objectivity; and (ii) tested the ageing of the trade receivables on a sample basis, evaluated the historical collection patterns, and tested post year-end settlements received.

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.

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

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.

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.

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

2 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	Group 2019 US$'000	Group 2018 US$'000
Revenue	4	101,487	90,246
Cost of sales		(81,288)	(70,863)
Gross profit		20,199	19,383
Other income	5	2,107	5,245
Distribution costs		(2,200)	(1,650)
Administrative expenses	6	(18,563)	(19,518)
Finance costs	7	(278)	(239)
Share of losses of an associate		(1,857)	(412)
Impairment of investment in an associate	15	–	(231)
Profit/(loss) before tax	8	(592)	2,578
Income tax expense	9	(1,277)	(1,794)
Profit/(loss) for the year		(1,869)	784
Profit/(loss) attributable to:			
Owners of the Company		(1,871)	898
Non-controlling interests		2	(114)
		(1,869)	784
Earnings/(loss) per share (US cent)			
Basic	10	(0.83)	0.39
Diluted	10	(0.83)	0.39

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

		Group	
	Notes	2019	2018
		US$'000	US$'000
Profit/(loss) for the year		(1,869)	784
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		36	(1,328)
Release of foreign currency translation reserve upon disposal of subsidiaries	28	–	(1,173)
		36	(2,501)
Items that will not be reclassified to profit or loss:			
Equity investments designated at fair value through other comprehensive income:			
Fair value loss arising during the year	16(a)	(661)	(495)
Income tax effect	16(a)	139	79
		(522)	(416)
Other comprehensive expense for the year, net of tax		(486)	(2,917)
Total comprehensive expense for the year		(2,355)	(2,133)
Attributable to:			
Owners of the Company		(2,357)	(1,998)
Non-controlling interests		2	(135)
Total comprehensive expense for the year		(2,355)	(2,133)

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Notes	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	6,538	5,897	–	–
Right-of-use assets	12	3,447	–	–	–
Prepayment for the acquisition of intangible assets	13	–	861	–	–
Investments in subsidiaries	14(a)	–	–	11,334	11,334
Amount due from a subsidiary	14(b)	–	–	16,043	16,678
Investments in associates	15(a)	1,881	3,580	–	–
Investments	16	829	1,500	–	–
Other assets	17	311	273	–	–
Deferred tax assets	26	176	130	–	–
Total non-current assets		13,182	12,241	27,377	28,012
Current assets					
Inventories	18	9,890	10,247	–	–
Trade and other receivables	19	34,289	28,356	131	59
Amounts due from associates	15(b)	541	272	–	–
Investments	16	1,499	2,200	–	–
Pledged bank deposits	20	149	148	–	–
Cash and bank balances	20	28,466	35,465	170	119
Total current assets		74,834	76,688	301	178
TOTAL ASSETS		88,016	88,929	27,678	28,190
LIABILITIES AND EQUITY					
Current liabilities					
Income tax payable		545	836	–	–
Bank borrowings	22	9,384	7,886	–	–
Finance leases	12, 23	–	23	–	–
Lease liabilities	12	1,499	–	–	–
Trade and other payables	24	22,733	21,147	176	132
Amount due to an associate	15(b)	138	39	–	–
Total current liabilities		34,299	29,931	176	132
NET CURRENT ASSETS		40,535	46,757	125	46

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

	Notes	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
Non-current liabilities					
Bank borrowings	22	102	500	–	–
Finance leases	12, 23	–	71	–	–
Lease liabilities	12	2,013	–	–	–
Retirement benefit obligations	25(a)	407	320	–	–
Deferred tax liabilities	26	552	626	–	–
Total non-current liabilities		3,074	1,517	–	–
TOTAL LIABILITIES		37,373	31,448	176	132
NET ASSETS		50,643	57,481	27,502	28,058
Equity attributable to owners of the Company					
Share capital	29(a)	10,087	10,087	10,087	10,087
Treasury shares	29(b)	(4,385)	(3,752)	(4,385)	(3,752)
Retained earnings		25,837	31,296	2,958	2,476
Reserves	30	19,093	19,841	18,842	19,247
		50,632	57,472	27,502	28,058
Non-controlling interests		11	9	–	–
TOTAL EQUITY		50,643	57,481	27,502	28,058
TOTAL LIABILITIES AND EQUITY		88,016	88,929	27,678	28,190

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

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2019

	Share capital US$'000	Share premium of the Company US$'000	Share capital reserve US$'000	Treasury shares Note 29(b) US$'000	Employee share option reserve Note 25(b) US$'000	Merger reserve Note 30 US$'000
GROUP						
Balance at 1 January 2019	10,087	18,994	(193)	(3,752)	446	(7,020)
Effect of adoption of International Financial Reporting Standard 16	–	–	–	–	–	–
Balance at 1 January 2019 (restated)	10,087	18,994	(193)	(3,752)	446	(7,020)
Profit/(loss) for the year	–	–	–	–	–	–
Other comprehensive expense for the year:						
Exchange differences on translation of foreign operations	–	–	–	–	–	–
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	–	–	–	–	(446)	–
Shares purchased under Share Purchase Mandate and held in treasury shares	–	–	–	(633)	–	–
Share-based payment expense	–	–	–	–	41	–
Transfer	–	–	–	–	–	–
Dividends paid (Note 37)	–	–	–	–	–	–
Balance at 31 December 2019	10,087	18,994	(193)	(4,385)	41	(7,020)
Balance at 1 January 2018	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.

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
3,806	318	1,187	101	2,202	31,296	57,472	9	57,481
–	–	–	–	–	(1,404)	(1,404)	–	(1,404)
3,806	318	1,187	101	2,202	29,892	56,068	9	56,077
–	–	–	–	–	(1,871)	(1,871)	2	(1,869)
–	–	–	–	36	–	36	–	36
–	–	–	(522)	–	–	(522)	–	(522)
–	–	–	(522)	36	(1,871)	(2,357)	2	(2,355)
–	–	–	–	–	446	–	–	–
–	–	–	–	–	–	(633)	–	(633)
–	–	–	–	–	–	41	–	41
140	–	3	–	–	(143)	–	–	–
–	–	–	–	–	(2,487)	(2,487)	–	(2,487)
3,946	318	1,190	(421)	2,238	25,837	50,632	11	50,643
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 2019

	Share capital US$'000	Share premium US$'000	Share capital reserve US$'000	Treasury shares Note 29(b) US$'000	Employee share option reserve Note 25(b) US$'000	Retained earnings US$'000	Total equity US$'000
COMPANY							
Balance as at 1 January 2019	10,087	18,994	(193)	(3,752)	446	2,476	28,058
Profit for the year and total comprehensive income for the year	–	–	–	–	–	2,523	2,523
Transfer on share options lapsed	–	–	–	–	(446)	446	–
Shares purchased under Share Purchase Mandate and held in treasury shares	–	–	–	(633)	–	–	(633)
Share-based payment expense	–	–	–	–	41	–	41
Dividends paid (Note 37)	–	–	–	–	–	(2,487)	(2,487)
Balance at 31 December 2019	10,087	18,994	(193)	(4,385)	41	2,958	27,502
Balance at 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 2019

	Notes	Group 2019 US$'000	Group 2018 US$'000
Operating Activities			
Profit/(loss) before tax		(592)	2,578
Adjustments for:			
Interest income	5	(422)	(748)
Finance costs	7	278	239
Net loss/(gain) on disposal of property, plant and equipment	8	40	(37)
Loss on termination of lease contracts	8	25	–
Impairment/(reversal of impairment) of property, plant and equipment	8	(53)	782
Reversal of impairment of right-of-use assets	5	(977)	–
Increase/(decrease) in provision for inventories	8	133	(159)
Changes in fair value of derivative financial instruments	8	–	(6)
Impairment of goodwill	6	–	116
Depreciation of property, plant and equipment	11	1,410	1,382
Depreciation of right-of-use assets	12	948	–
Share of losses of associates		1,857	412
Gain on deemed disposal of an associate	5	(158)	–
Share-based payment expense	31	41	–
Gain on disposal of subsidiaries	28	–	(4,154)
Retirement benefit obligations	25(a)	81	76
Impairment of investment in an associate	15	–	231
Expected credit losses of trade receivables	8	359	–
Operating cash flows before movements in working capital		2,970	712
Changes in working capital:			
Trade and other receivables		(5,437)	489
Amounts due to/from associates		(165)	35
Inventories		133	(3,245)
Trade and other payables		1,510	5,369
Cash generated from/(used in) operations		(989)	3,360
Net income tax paid		(1,400)	(2,115)
Interest paid		(133)	(239)
Net cash from/(used in) operating activities		(2,522)	1,006

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	Group 2019 US$'000	Group 2018 US$'000
Investing Activities			
Proceeds from disposal of property, plant and equipment		14	199
Purchase of property, plant and equipment *		(2,159)	(2,203)
Decrease/(increase) in other assets		(35)	73
Decrease/(increase) in loans and receivables		701	(1,192)
Additional investment in equity investment designated at fair value through other comprehensive income		(12)	(12)
Interest income received		422	748
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 used in investing activities		(1,069)	(5,450)
Financing Activities			
Proceeds from shares issued to non-controlling shareholders		–	1,391
Payment for share buyback		(633)	(321)
Proceeds from bank borrowings		25,760	21,867
Repayment of bank borrowings		(24,662)	(23,019)
Repayment of obligations under finance leases		–	(105)
Repayment of principal portion of lease liabilities		(1,413)	–
Repayment of interest element on lease liabilities		(145)	–
Dividends paid		(2,487)	(2,519)
Net cash used in financing activities		(3,580)	(2,706)
Net decrease in cash and cash equivalents		(7,171)	(7,150)
Net effect of currency translation differences		172	(1,157)
Cash and cash equivalents at 1 January		35,465	43,772
Cash and cash equivalents at 31 December	20	28,466	35,465

* During the year ended 31 December 2019, the Group acquired property, plant and equipment and right-of-use assets (2018: property, plant and equipment) with an aggregate cost of approximately US$2,191,000 (2018: US$2,305,000), of which US$32,000 was acquired by means of a finance lease (2018: US$102,000). Cash payment of US$2,159,000 (2018: US$2,203,000) was made to purchase property, plant and equipment.

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

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 was located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. Effective from 15 July 2019, the registered office is changed to Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, 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 14 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 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	*IFRS 3, IFRS 11, IAS 12 and IAS 23*

Other than as explained below regarding the impact of IFRS 16, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 D*etermining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CHANGES IN ACCOUNTING POLICIES (continued)

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16
The Group has lease contracts for various items of property, motor vehicles and machineries. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for elective exemptions for leases of low-value assets (elected on a lease-by-lease basis). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition
Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of US$92,000 that were reclassified from property, plant and equipment.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application.

As a lessee – Leases previously classified as finance leases
The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under IAS 17.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CHANGES IN ACCOUNTING POLICIES (continued)

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	US$'000
Assets	
Increase in right-of-use assets	760
Increase in deferred tax assets	144
Decrease in property, plant and equipment	(92)
Decrease in trade and other receivables	(29)
Increase in total assets	783
Liabilities	
Decrease in finance leases	(94)
Increase in lease liabilities	2,281
Increase in total liabilities	2,187
Total decrease in retained earnings	(1,404)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018 as follows:

	US$'000
Operating lease commitments as at 31 December 2018	**2,616**
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(276)
	2,340
Weighted average incremental borrowing rate as at 1 January 2019	4.16%
Discounted operating lease commitments as at 1 January 2019	2,187
Add: Finance lease liabilities recognised as at 31 December 2018	94
Lease liabilities as at 1 January 2019	**2,281**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and and IAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 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.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

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 a gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following the 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.

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
Freehold land	Not depreciated	Nil
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 life 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.

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 the 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 on 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.

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

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" below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Initial recognition and measurement (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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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)
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)
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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss
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.

DERECOGNITION OF FINANCIAL ASSETS

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.

IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises an allowance for expected credit losses ("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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES

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.

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

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

Financial liabilities are classified as held for trading if they are 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 amortised cost
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.

DERECOGNITION OF FINANCIAL LIABILITIES

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OFFSETTING OF FINANCIAL INSTRUMENTS

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.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

Defined contribution plans

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

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

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

Defined retirement benefit plan

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

Annual leave

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EMPLOYMENT BENEFITS (continued)

Share-based payments

The Group issues equity-settled share-based payments to the Group's employees 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 (APPLICABLE FROM 1 JANUARY 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets
Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leased properties	2 to 5 years
Motor vehicles and machineries	2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities
Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES (APPLICABLE FROM 1 JANUARY 2019) (continued)

(b) Lease liabilities (continued)
In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases
The Group applies the short-term lease recognition exemption to its short-term leases of properties (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

LEASES (APPLICABLE BEFORE 1 JANUARY 2019)

As lessee

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

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

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

REVENUE RECOGNITION

Revenue 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION (continued)

When the contract contains a financing component which provides the customer with 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 give 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.

CONTRACT ASSETS

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 assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

CONTRACT LIABILITIES

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) form a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e. transfers control of the related goods or services to the customer).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, and 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.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

INCOME TAXES (continued)

Deferred tax (continued)

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RELATED PARTIES (continued)

(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.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

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 2019 amounted to US$656,000 (2018: US$523,000) and the carrying amount of inventories is disclosed in note 18 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 14 to the financial statements. No impairment loss was recognised for the years ended 31 December 2019 and 2018.

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 costs to disposal of the investments in associates as at the end of the 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 15 to the financial statements. At 31 December 2019, no impairment loss (2018: US$231,000) has been recognised for the investments in associates and the carrying amount of the investments in associates was US$1,881,000 (2018: US$3,580,000).

Impairment of trade receivables and other receivables

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 a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and other receivables is disclosed in note 19 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

Impairment of property, plant and equipment and right-of-use assets

The Group assesses the impairment of the property, plant and equipment and right-of-use assets 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 and right-of-use assets is disclosed in notes 11 and 12, respectively, to the financial statements. Reversal of impairment of US$53,000 (2018: impairment loss of US$782,000) and reversal of impairment of US$977,000 (2018: Nil) was recognised for property, plant and equipment and right-of-use assets, respectively, for the year ended 31 December 2019.

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. No impairment loss (2018: US$116,000) has been recognised as at 31 December 2019.

Loss of control over a subsidiary

During the year ended 31 December 2018, the Group 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 has derecognised A Bio from a subsidiary of the Group, and has accounted for A Bio as an associate of the Group since the Group still has significant influence on A Bio.

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 the Group's equity interest in A Bio and the gain on disposal of A Bio as a subsidiary are disclosed in notes 15 and 28 to the financial statements, respectively.

4. REVENUE

An analysis of revenue is as follows:

	2019 US$'000	2018 US$'000
Revenue from contracts with customers		
LCD backlight units	61,744	38,408
Office automation	21,179	25,257
LCD parts and accessories	16,817	25,262
Others	1,747	1,319
	101,487	90,246

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	2019 US$'000
For the year ended 31 December 2019					
Segment					
Sale of goods	61,744	21,179	16,817	1,747	101,487
Geographical markets					
Mainland China	55,995	9,903	7,372	–	73,270
Hong Kong	84	4,781	7,956	551	13,372
Japan	5,665	6,116	1,352	1,196	14,329
Others	–	379	137	–	516
	61,744	21,179	16,817	1,747	101,487
Timing of revenue recognition					
Goods transferred at a point in time	61,744	21,179	16,817	1,747	101,487

4. **REVENUE** (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

	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

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	2019 US$'000
For the year ended 31 December 2019					
Segment					
Revenue from contracts with customers					
External customers	61,744	21,179	16,817	1,747	101,487
Intersegment sales	–	329	–	–	329
	61,744	21,508	16,817	1,747	101,816
Intersegment adjustments and eliminations	–	(329)	–	–	(329)
	61,744	21,179	16,817	1,747	101,487

4. REVENUE (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

	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:

	2019 US$'000	2018 US$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
LCD parts and accessories	344	645

(ii) Performance obligations

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

Sale of products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 150 days (2018: 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	
	2019	2018
	US$'000	US$'000
Interest income	422	748
Gain on disposal of property, plant and equipment	11	43
Gain on disposal of subsidiaries (Note 28)	–	4,154
Gain on deemed disposal of an associate	158	–
Compensation from government	177	–
Reversal of impairment of property, plant and equipment (Note 11)	53	–
Reversal of impairment of right-of-use assets (Note 12)	977	–
Sundry income	309	300
	2,107	5,245

6. ADMINISTRATIVE EXPENSES

	Group	
	2019	2018
	US$'000	US$'000
Employee-related expenses	11,023	12,412
Travelling and entertainment expenses	1,367	1,449
Professional fees	1,458	1,388
Minimun leases payments under operating leases	–	1,102
Short-term leases expenses	648	–
Utilities and office expenses	931	986
Depreciation of property, plant and equipment	1,058	387
Impairment of property, plant and equipment (Note 11)	–	782
Expected credit losses of trade receivables (Note 19)	359	–
Impairment of goodwill (Note 21)	–	116
Development expenses	861	100
Loss on disposal of property, plant and equipment	51	6
Loss on termination of lease contracts	25	–
Foreign exchange loss	457	249
Miscellaneous	325	541
	18,563	19,518

7. FINANCE COSTS

	Group	
	2019	2018
	US$'000	US$'000
Interest expenses on:		
Bank borrowings	133	235
Obligations under finance leases	–	4
Lease liabilities	145	–
	278	239

8. PROFIT/(LOSS) BEFORE TAX

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

	Group	
	2019	2018
	US$'000	US$'000
Audit fees paid to:		
Auditor of the Company	271	277
Other auditors	226	228
Non-audit fees paid to:		
Auditor of the Company	9	9
Other auditors	17	4
Employee benefit expenses (Note 25)	22,685	22,532
Depreciation of property, plant and equipment (Note 11)	1,410	1,382
Depreciation of right-of-use assets (Note 12)	948	–
Increase/(decrease) in provision for inventories (Note 18)	133	(159)
Inventories recognised as an expense in cost of sales (Note 18)	81,288	70,863
Net loss/(gain) on disposal of property, plant and equipment	40	(37)
Loss on termination of lease contracts	25	–
Net foreign exchange loss	310	249
Changes in fair value of derivative financial instruments	–	(6)
Impairment/(reversal of impairment) of property, plant and equipment (Note 11)	(53)	782
Reversal of impairment of right-of-use assets (Note 12)	(977)	–
Impairment of investment in an associate (Note 15(a))	–	231
Impairment of goodwill (Note 21)	–	116
Expected credit losses of trade receivables (Note 19)	359	–

9. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

	Group	
	2019	2018
	US$'000	US$'000
Current income tax	1,110	1,636
Deferred tax (Note 26)	167	158
	1,277	1,794

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 2019 and 2018 is as follows:

	Group	
	2019	2018
	US$'000	US$'000
Profit/(loss) before tax	(592)	2,578
Tax at the domestic rates applicable to profits in the countries where the Group operates	301	1,509
Adjustments:		
Non-deductible expenses	537	617
Income not subject to taxation	(256)	(1,252)
Tax losses not recognised	406	375
Effect of withholding tax at 5% on the undistributed earnings of the PRC subsidiaries (Note 26)	113	71
Others	176	474
Income tax expense recognised in profit or loss	1,277	1,794

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

10. EARNINGS/(LOSS) PER SHARE

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

Diluted earnings/(loss) per share is calculated by dividing profit/(loss), 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 year ended 31 December 2018:

	Group 2018 US$'000
Profit attributable to owners of the Company	898

	Number of shares '000
Weighted average number of ordinary shares for the basic earnings per share computation*	228,895
Effect of dilutive share options	439
Weighted average number of ordinary shares for the diluted earnings per share computation*	229,334

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

The calculation of the basic loss per share amount for the year ended 31 December 2019 is based on the loss for the year attributable to owners of the Company of US$1,871,000, and the weighted average number of ordinary shares of 225,677,000 in issue, which excludes treasury shares which had been purchased on the SGX-ST under the Share Purchase Mandate (Note 29 (b)), during the year.

No adjustment had been made to the basic loss per share amounts presented for the year ended 31 December 2019 in respect of a dilution as the impact of the share options outstanding during the year had an anti-dilutive effect on the basic loss per share amounts presented.

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings US$'000	Plant and machinery US$'000	Furniture, fixtures and equipment US$'000	Leasehold improvements US$'000	Motor vehicles US$'000	Construction in progress US$'000	Total US$'000
GROUP							
Cost							
At 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
Effect of adoption of International Financial Reporting Standard 16	–	(12)	–	–	(111)	–	(123)
At 1 January 2019 (restated)	2,262	11,460	2,299	7,839	742	–	24,602
Additions	–	550	106	600	41	862	2,159
Disposals	–	(73)	(199)	(1,801)	(112)	–	(2,185)
Exchange differences	35	(139)	(8)	(57)	(7)	–	(176)
At 31 December 2019	2,297	11,798	2,198	6,581	664	862	24,400
Accumulated depreciation and impairment loss							
At 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
Effect of adoption of International Financial Reporting Standard 16	–	(1)	–	–	(30)	–	(31)
At 1 January 2019 (restated)	630	8,910	1,803	6,894	560	–	18,797
Depreciation	43	610	142	559	56	–	1,410
Disposals	–	(61)	(193)	(1,771)	(106)	–	(2,131)
Reversal of impairment	–	(52)	–	–	(1)	–	(53)
Exchange differences	7	(101)	(7)	(55)	(5)	–	(161)
At 31 December 2019	680	9,306	1,745	5,627	504	–	17,862
Net carrying amount							
At 31 December 2018	1,632	2,561	496	945	263	–	5,897
At 31 December 2019	1,617	2,492	453	954	160	862	6,538

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 31 December 2018 was US$92,000. Leased assets are pledged as security for the related finance lease liabilities.

During the year ended 31 December 2019, the Group carried out a review of the recoverable amounts of its items of property, plant and equipment. Reversal of impairment provision of US$53,000 (2018: impairment loss of US$782,000), representing the recovery (2018: write-down) of certain items of property, plant and equipment to the recoverable amount was recognised in "Other income" (Note 5) (2018: "Administrative expenses" (Note 6)) in profit or loss for the financial year ended 31 December 2019. The recoverable amount of those items of property, plant and equipment was based on the value in use (2018: 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 five-year financial budgets prepared by management. The key assumptions include discount rates and terminal growth rates applied to future cash flows. The discount rates used at 31 December 2019 were ranging from 12% to 13.5% (2018: From 11% to 13%) and terminal growth rates were ranging from 2.5% to 3% (2018: 2.7%). 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. LEASES

Group as a lessee

The Group has lease contracts for various items of properties and motor vehicles and machineries used in its operations. Leases of properties, motor vehicles and machineries generally have lease terms between 2 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets recognised and the movements during the year are as follows:

	Lease properties US$'000	Motor vehicles and machineries US$'000	Total US$'000
As at 31 December 2018	–	–	–
Effect of adoption of International Financial Reporting Sandard 16	668	92	760
As at 1 January 2019 (restated)	668	92	760
Additions	2,726	32	2,758
Termination of contracts	(89)	(11)	(100)
Depreciation charge	(923)	(25)	(948)
Reversal of impairment	977	–	977
Exchange realignment	(2)	2	–
As at 31 December 2019	3,357	90	3,447

12. **LEASES** (continued)

Group as a lessee (continued)

(a) Right-of-use assets (continued)

Upon adoption of IFRS 16 on 1 January 2019, the Group carried out a review of the recoverable amounts of its right-of-use assets. Impairment provision of US$1,478,000 of certain lease properties was recognised in "Retained earnings" in statement of financial position. The recoverable amount of those lease properties was based on the value in use. Value in use is determined using cash flow projections based on five-year financial budgets prepared by management. The key assumptions include discount rates and terminal growth rates applied to future cash flows. The discount rates used at 1 January 2019 were ranging from 11% to 13% and terminal growth rate was 2.7%.

As at 31 December 2019, the Group carried out a review of the recoverable amounts of its right-of-use assets. Reversal of impairment provision of US$977,000 of certain lease properties was recognised in "Other income" (Note 5) in profit or loss for the financial year ended 31 December 2019. The recoverable amount of those lease properties was based on the value in use. Value in use is determined using cash flow projections based on five-year financial budgets prepared by management. The key assumptions include discount rates and terminal growth rates applied to future cash flows. The discount rates used at 31 December 2019 were ranging from 12% to 13.5% and terminal growth rates were ranging from 2.5% to 3%.

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2019 Lease liabilities US$'000	2018 Finance leases US$'000
At the beginning of the year	–	97
Effect of adoption of International Financial Reporting Standard 16	2,281	–
At the beginning of the year (restated)	2,281	97
New leases	2,758	102
Termination of contracts	(75)	–
Interest expenses	145	–
Principal portion of lease payment	(1,413)	–
Interest element on lease liabilities	(145)	–
Repayment of obligations under finance leases	–	(105)
Exchange realignment	(39)	–
At the end of the year	3,512	94
Analysed into:		
Current portion	1,499	23
Non-current portion	2,013	71

The maturity analysis of lease liabilities (2018: finance lease payables) is disclosed in note 34 to the financial statements.

12. LEASES (continued)

Group as a lessee (continued)

(c) The amounts recognised in/(credited to) profit or loss in relation to leases are as follows:

	2019
	US$'000
Interest on lease liabilities	145
Depreciation charge of right-of-use assets	948
Expense related to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in administrative expenses)	648
Loss on termination of lease contracts	25
Reversal of impairment of right-of-use assets	(977)
Total amount recognised in profit or loss	789

13. PREPAYMENT FOR THE ACQUISITION OF INTANGIBLE ASSETS

	Group	
	2019	**2018**
	US$'000	**US$'000**
Prepayment	–	861

Prepayment for the acquisition of the intangible assets amounting to US$Nil (2018: US$861,000) represents an advance payment for the development of biotech products and the application of their related patents.

14. INVESTMENTS IN SUBSIDIARIES

(a)

	Company	
	2019	**2018**
	US$'000	**US$'000**
Unquoted equity shares, at cost	9,700	9,700
Recognition of share-based payments	1,634	1,634
	11,334	11,334

(b) The amount due from a subsidiary of US$16,043,000 (2018: US$16,678,000) included in the Company's non-current assets is unsecured, bears interest at 2% (2018: 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$16,043,000 (2018: US$16,678,000). Given there was no history of default in prior years, management considered that the default rate of financial assets and expected credit loss rate were minimal.

14. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name	Place of incorporation/ establishment	Principal activities	Proportion of ownership interest 2019 %	2018 %
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 Precision Machinery (Shanghai) Co., Limited [(ii)] ("TM Shanghai")	Shanghai, PRC	Manufacture and trading of parts and precision accessories for office equipment and electrical appliances	100.0	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
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

14. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name	Place of incorporation/ establishment	Principal activities	Proportion of ownership interest	
			2019 %	2018 %
Held by TM Hong Kong (continued)				
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
Tomoike Bio Limited (ii) ("TBI") (previously known as Guru Guru Limited)	Hong Kong	General trading	100.0	100.0
Tomoike (Shanghai) Agriculiture Technology Co., Limited (ii) (iv) ("TAT Shanghai")	Shanghai, PRC	Provision of agriculture product management and advisory services	–	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, sale and marketing of healthcare and beauty products; and acquisition and holding of intellectual property	99.8	99.8
GSP Enterprise Inc. (i) (iii) ("GSP")	Osaka, Japan	Provision of Bio-Tech related research and development	95.0	95.0
Tomoike Industrial (Philippines) Incorporated (i) (v) ("TIP")	Philippines	Manufacture, processing and assembly of printed circuit board, mobile payment device, niche precision components and insulating materials	100.0	–
Held by TM Hong Kong and TBI				
Bangladesh Japan Cooperation Company Limited (i) ("BJ Cooperation")	Bangladesh	Liaison office, general trading and other businesses	100.0	100.0

14. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name	Place of incorporation/ establishment	Principal activities	Proportion of ownership interest 2019 %	2018 %
Held by WH Hong Kong				
Wah Hang Precision Machinery (Dongguan) Limited (ii) ("WH Dongguan")	Dongguan, PRC	Manufacture and trading of parts and precision accessories for office equipment and electrical appliances	100.0	100.0
Held by SMT Hong Kong				
Dongguan Dali S.M.T. Assembly Limited (ii) ("SMT Dongguan")	Dongguan, PRC	Provision of surface mounting technique services in electronic product assembly	100.0	100.0
Held by TM Shanghai				
Shanghai Gu Chang Yu Printing Technology Co., Limited (ii) ("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 (ii) ("TOMO")	Shanghai, PRC	Provision of food and beverage management and advisory services	100.0	100.0

(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

(iv) Dissolved during the financial year ended 31 December 2019

(v) Incorporated during the financial year ended 31 December 2019

15. INVESTMENTS IN ASSOCIATES

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

	Group	
	2019	2018
	US$'000	US$'000
Share of net assets	158	1,733
Goodwill on acquisition	3,245	3,433
	3,403	5,166
Less: Impairment loss	(1,522)	(1,522)
Exchange differences	–	(64)
	1,881	3,580

Since the associate, Suzhou Pengfu Photoelectric Technology Co., Limited ("Suzhou Pengfu"), has been loss-making since incorporation, the directors have assessed the recoverable amount of the Group's investment in this associate as at 31 December 2018 with reference to value in use calculation as at 31 December 2018 (the "Calculation"). The discount rate applied to the projected cash flows was 15.0%. 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 in profit or loss for the year ended 31 December 2018, and full impairment on investment in Suzhou Pengfu was made as at 31 December 2019 and 2018.

During the year ended 31 December 2018, 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 associated 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.

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.

During the year ended 31 December 2019, A Bio has allotted 16,665 shares to an independent third party. After the completion of this allotment, the Group's shareholding in A Bio was reduced to 48.5%, and gain on deemed disposal of US$158,000 was recognised in "Other Income" (Note 5) in profit or loss upon this deemed disposal of A Bio.

15. INVESTMENTS IN 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 48.5% equity value of A Bio at 31 December 2019 for impairment assessment of the Group's 48.5% 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 2019. No impairment indicator was noted for the Group's 48.5% equity interest in A Bio as at 31 December 2019 based on the valuation of the Group's 48.5% equity interest in A Bio as at 31 December 2019.

Particulars of the associates are as follows:

Name	Registered share capital held	Place of establishment	Principal activity	Proportion of ownership interest	
				2019	**2018**
				%	**%**
Suzhou Pengfu (i)	RMB 1,080,000	Suzhou, PRC	Manufacture PRC of light guide panels	25.0%	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	48.5%	49.4%

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

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

	2019 US$'000	2018 US$'000
Share of the associates' loss for the year	1,857	412
Share of the associates' total comprehensive expense	1,857	412
Aggregate carrying amount of the Group's investments in the associates	1,881	3,580

(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.

16. INVESTMENTS

	Notes	Group 2019 US$'000	Group 2018 US$'000
Non-current:			
Equity investments designated at fair value through other comprehensive income			
Listed equity investment at fair value Sharp Corporation ("Sharp")	(a)	103	56
Unlisted equity investment at fair value LGM Co., Limited ("LGM")	(a)	726	1,444
		829	1,500
Current:			
Loans and receivables, at amortised cost	(b)	1,499	2,200

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) During the year ended 31 December 2019, an aggregate fair value loss of US$661,000 (2018: US$495,000) and deferred tax impact of US$139,000 (2018: US$79,000) were recognised in other comprehensive income.

(b) Upon the Group's disposal of certain equity interest in A Bio to the Buyer (as defined in note 15(a)) at consideration of US$2,559,000 during the year ended 31 December 2018, the consideration receivable of US$2,133,000 was recorded as at 31 December 2018 after settlement of US$426,000 by the Buyer. Pursuant to the share purchase agreement entered into between the Group and the Buyer for the disposal of the equity interest in A Bio, the settlement of US$2,133,000 was scheduled in two installments of US$1,066,000 and US$1,067,000 repayable by 31 May 2019 and 31 October 2019, respectively.

During the year ended 31 December 2019, the Buyer negotiated and agreed with the Group to extend the settlement dates of the aggregate balances of US$2,133,000, with a pledge of a property as collateral with fair value not less than the receivable balances (the "Extension"). In December 2019, the Buyer has further partially settled an amount of US$634,000 to the Group, resulting in the outstanding balance of US$1,499,000 as at 31 December 2019, and the said balance was classified as loans and receivables as at 31 December 2019. Subsequent to 31 December 2019, the Group and the Buyer formalised the Extension by entering into a supplemental agreement to extend the repayment date of the outstanding balance of US$1,499,000 as at 31 December 2019 to 31 December 2020, bearing interest at a rate of the US dollar best lending rate plus 1%, with a pledge of property as collateral.

During the year ended 31 December 2018, 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, which was carried at an interest rate of 1.4% per month and 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 to the Borrower which was repayable by monthly installment from January to April 2019. The loan was fully settled by the Borrower in April 2019.

16. INVESTMENTS (continued)

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

	Group	
	2019	**2018**
	US$'000	**US$'000**
Korean Won	2,225	1,444
US$	–	2,200
	2,225	3,644

17. OTHER ASSETS

	Group	
	2019	**2018**
	US$'000	**US$'000**
Directors' insurance	52	30
Rental deposits	259	243
	311	273

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 to 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.

18. INVENTORIES

	Group	
	2019	**2018**
	US$'000	**US$'000**
Consolidated statement of financial position:		
Raw materials	3,354	3,727
Work-in-progress	273	440
Finished goods	6,263	6,080
	9,890	10,247
Consolidated statement of profit or loss:		
Inventories recognised as an expense in cost of sales	81,288	70,863
Inclusive of the increase/(decrease) in provision for inventories	133	(159)

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

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Trade receivables	32,294	24,460	–	–
Other receivables	831	2,773	31	30
Prepayments	997	615	100	29
Value-added tax recoverable	267	277	–	–
Deposits	257	231	–	–
	34,646	28,356	131	59
Allowance for expected credit losses				
- Trade receivables	(357)	–	–	–
	34,289	28,356	131	59

Trade receivables

Trade receivables are non-interest-bearing and are generally on terms ranging from 30 to 150 days (2018: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

	Group	
	2019 US$'000	2018 US$'000
Japanese Yen ("JPY")	–	16
US$	24,838	17,507
Renminbi ("RMB")	2	46
Singapore Dollars ("SG$")	100	29

The movements in the loss allowance for expected credit losses of trade receivables are as follows:

	2019 US$'000	2018 US$'000
At beginning of year	–	–
Provision of expected credit losses (Note 8)	359	–
Exchange realignment	(2)	–
	357	–

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. The increase in the loss allowance was due to the forecast economic conditions for the year ended 31 December 2019 were expected to deteriorate over the year due to US-China trade tensions which may lead to an increase in default rate in the business sectors in which the Group operates. As such, the Group provided an ECLs of US$359,000 for the year then ended.

19. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables (continued)

Set out below is the information about the credit exposure on the Group's trade receivables using a provision matrix as at 31 December 2019:

31 December 2019		**Overdue**			
	Current	**0 to 30 days**	**31 to 60 days**	**Over 60 days**	**Total**
Expected credit loss rate	0.8%	3.7%	33.3%	45.5%	1.1%
Gross carrying amount (US$'000)	29,564	2,716	3	11	32,294
Expected credit losses (US$'000)	250	101	1	5	357

As at 31 December 2018, given (i) there was no history of default in prior years, the directors of the Company considered that the default rate of trade receivables is minimal; and (ii) no adverse change in the business environment was anticipated, and management considered that the expected credit loss rates of the customers were minimal.

20. CASH AND BANK BALANCES

	Group		**Company**	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Cash at banks and on hand	17,832	21,396	170	119
Short-term deposits	10,783	14,217	–	–
	28,615	35,613	170	119
Less: Pledged bank deposit	(149)	(148)	–	–
	28,466	35,465	170	119

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

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 (2018: 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 2019 for the Group was 1.8% (2018: 1.6%) per annum.

20. CASH AND BANK BALANCES (continued)

A fixed deposit of US$149,000 (2018: US$148,000) was placed as security for banking facilities. This fixed deposit earns interest at an average rate of 0.9% (2018: 0.75%) per annum and will mature in 9 months (2018: 9 months) after the end of the reporting period.

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

	Group	
	2019	**2018**
	US$'000	**US$'000**
JPY	450	423
US$	12,852	14,788
RMB	1,109	5,738
SG$	132	96

21. GOODWILL

	Group
	US$'000
Cost	
At 1 January 2018	1,516
Acquisition of a subsidiary	116
As at 31 December 2018, 1 January 2019 and 31 December 2019	1,632
Accumulated impairment	
At 1 January 2018	(1,516)
Impairment during the year	(116)
As at 31 December 2018, 1 January 2019 and 31 December 2019	(1,632)
Net carrying amount	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	–

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 a single CGU.

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.

21. GOODWILL (continued)

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 projections 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 the growth rate of 1.4% was used in 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 in profit or loss for the year ended 31 December 2018.

22. BANK BORROWINGS

		Group	
	Maturity	**2019**	**2018**
		US$'000	**US$'000**
Current:			
Bank borrowings, unsecured	2020 (2018: 2019)	9,384	7,886
Non-current:			
Bank borrowings, unsecured	2023 (2018: 2021)	102	500
Total bank borrowings		9,486	8,386

The bank borrowings are unsecured and bear interest at rates ranging from 0.28% to 4.25% (2018: 0.28% to 4.10%) per annum.

Bank borrowings amounting to US$8,850,000 (2018: US$6,736,000) are unsecured and carry variable interest rates quoted by the banks with reference to their cost of fund.

Bank borrowings amounting to US$636,000 (2018: US$1,650,000) are unsecured and carry fixed interest rates.

Management considered the fair value of the Group's fixed rate bank borrowings is US$637,000 (2018: US$1,642,000).

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

	Group	
	2019	**2018**
	US$'000	**US$'000**
US$	9,486	7,738

23. FINANCE LEASES

The Group leases certain of its plant and equipment under finance leases prior to IFRS 16 becoming effective on 1 January 2019 and had remaining lease terms ranging from one to five years.

At 31 December 2018, the total future minimum lease payments under finance leases and their present values are as follows:

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

The borrowing rate is 1.50% per annum for the year ended 31 December 2018. 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 was US$91,000 as at 31 December 2018.

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

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Trade payables	19,385	17,161	–	–
Other payables	2,351	2,580	78	50
Contract liabilities	–	344	–	–
Accruals	997	1,062	98	82
	22,733	21,147	176	132

24. TRADE AND OTHER PAYABLES (continued)

Trade payables

Trade payables are non-interest-bearing and are generally settled on terms of 30 to 120 days (2018: 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	
	2019	**2018**
	US$'000	**US$'000**
JPY	108	77
US$	8,816	6,566
RMB	–	33

Contract liabilities

Details of contract liabilities as at 31 December 2019 and 2018 are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Short-term advances received from customers				
Sales of goods	–	344	–	–

Contract liabilities included short-term advances received from customers to deliver industrial products. The decrease in contract liabilities in 2019 was mainly due to the utilisation of the advances from customers upon delivery of goods.

25. EMPLOYEE BENEFITS

		Group	
	Note	**2019**	**2018**
		US$'000	**US$'000**
Employee benefit expenses, including directors:			
Salaries and bonuses		20,710	20,269
Defined contribution plans		1,894	2,187
Defined retirement benefit plan	(a)	81	76
		22,685	22,532

25. EMPLOYEE BENEFITS (continued)

(a) Retirement benefit obligations

TM Japan maintains an unfunded defined retirement benefit plan for its directors. The amount for the year of approximately US$81,000 (2018: US$76,000) has been charged to profit or loss. The retirement benefit obligations with a carrying amount of US$407,000 (2018: US$320,000) 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 2019, the Company has two share option schemes (2018: two), CDW Employees' Share Option Scheme 2013 (the "2013 Scheme") which 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/ Acceptance 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
<u>2018 Scheme</u>					
Issued on 21 August 2019	250,000	21 August 2019	20 August 2024	SG$0.140	US$0.28
Issued on 22 August 2019	1,250,000	22 August 2019	20 August 2024	SG$0.140	US$0.28
Issued on 27 August 2019	5,250,000	27 August 2019	20 August 2024	SG$0.140	US$0.33

25. EMPLOYEE BENEFITS (continued)

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

The following reconciles the outstanding share options granted under the 2013 Scheme and the 2018 Scheme at the beginning and end of the financial year:

	Group and Company						
Grant date/ Acceptance date	**Balance at beginning of financial year**	**Cancelled/ lapsed**	**Granted**	**Exercised**	**Balance at end of financial year**	**Exercise price per share**	**Exercisable period**
2013 Scheme							
30 May 2014	6,250,000	(6,250,000)	–	–	–	SG$0.216	30 May 2016 to 29 May 2019
2018 Scheme							
21 August 2019	–	–	250,000	–	250,000	SG$0.140	21 August 2021 to 20 August 2024
22 August 2019	–	–	1,250,000	–	1,250,000	SG$0.140	21 August 2021 to 20 August 2024
27 August 2019	–	–	5,750,000	–	5,750,000	SG$0.140	21 August 2021 to 20 August 2024

As at 31 December 2019, the number of share options was 7,250,000 (2018: 6,250,000) which had a weighted average remaining contractual life of approximately 4.6 years (2018: 0.4 years).

The fair values of the share options granted under the 2013 Scheme and the 2018 Scheme were 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

25. EMPLOYEE BENEFITS (continued)

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

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.

	2018 Scheme
Dividend yield (%)	11.42
Expected volatility (%)	46.16 to 46.35
Risk-free interest rate (%)	1.50 to 1.58
Expected life of option (year)	5
Weighted average exercise price (Singapore cents)	14.0
Weighted average share price on date of grant (Singapore cents)	17.9
Early exercise behaviour	220% or 280% of the exercise price

For the 2018 Scheme, the expected volatility was determined by calulating the historical volatility of the company's share price from 21 August 2014 to 27 August 2019. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

For the year ended 31 December 2019, the Group recognised an equity-settled share-based payment expense of US$41,000 (2018: Nil).

(c) Share-based payments – Share performance

The Company has two share performance schemes, CDW Share Performance Scheme 2013 (the "Performance Scheme 2013") and Share Performance Scheme 2018 (the "Performance Scheme 2018"), for all employees and directors of the Group. Subsequently to the expiry of the Performance Scheme 2013 on 28 April 2018, the Company adopted the Performance Scheme 2018. The Performance Scheme 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 Performance Scheme 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 2019 and 2018, no Awards were granted to any employees and directors under the Performance Scheme 2013 and the Performance Scheme 2018.

26. DEFERRED TAX

	Group			
	Consolidated statement of financial position		Consolidated statement of profit or loss	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Deferred tax liabilities				
Withholding tax on undistributed earnings of the PRC subsidiaries (Note 9)	(113)	(71)	(43)	266
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)	–	(415)
Others	(24)	–	(24)	–
	(552)	(626)	(67)	(149)
Deferred tax assets				
Difference in depreciation for tax purposes	(2)	1	(3)	10
Directors' insurance	(4)	(1)	(3)	(1)
Others	182	130	(94)	(18)
	176	130	(100)	(9)
	(376)	(496)		
Deferred tax charge (Note 9)			(167)	(158)

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 2019 (2018: 5%).

Unrecognised tax losses

At the end of the reporting period, the Group had tax losses of approximately US$9,117,000 (2018: US$9,923,000) 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.

26. DEFERRED TAX (continued)

Tax consequences of proposed dividends

There are no income tax consequences (2018: 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 flows in respect of the acquisition of a subsidiary is as follows:

Cash consideration	(126)
Cash and cash equivalents acquired	325
Net cash inflow arising on acquisition	199

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

Since the acquisition, GSP contributed a 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 Tomoike Electronics (Shanghai) Co., Limited ("TM Pudong") and A Bio disposed of during the year ended 31 December 2018 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)
	2,463	3,592	6,055
Cash consideration	1,954	2,666	4,620
Fair value of interest retained (Note 15(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	921	3,233	4,154

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

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

29. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	2019		2018	
	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 2019, 28,987,102 (2018: 24,362,802) ordinary shares included in the above shares had been purchased on the SGX-ST under the Share Purchase Mandate and were 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 an 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 2019 and 2018.

(b) Treasury shares

	Group and Company			
	2019		2018	
	Number of ordinary shares '000	US$'000	Number of ordinary shares '000	US$'000
At 1 January	24,363	3,752	22,532	3,431
Shares purchased under Share Purchase Mandate and held in treasury shares	4,624	633	1,831	321
At 31 December	28,987	4,385	24,363	3,752

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

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 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 the foreign currency translation reserve.

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 2019 US$'000	Group 2018 US$'000
Controlling shareholder:			
Advisory fee	(i)	65	260
Director:			
Sales of a certain number of shares in TM Japan	(ii)	–	10
Associates:			
Research and development expenses	(i)	516	80
Provision of management support service	(i)	35	–
Supply of consumables	(iii)	14	–
Purchase of products	(iv)	761	518

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 mutually agreed terms.

(iii) The Group has supplied consumables to A Bio for research and development at a mutually agreed terms.

(iv) The Group has purchased goods from Suzhou Pengfu according to the conditions offered by the associate to major customers.

Compensation of directors and key management personnel

	Group 2019 US$'000	Group 2018 US$'000
Salaries, allowances and benefits in kind	1,754	2,021
Defined contribution plans	40	37
Share–based payment	41	–
	1,835	2,058
Comprise amounts paid to:		
Directors of the Company	885	885
Other key management personnel	950	1,173
	1,835	2,058

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

32. COMMITMENTS

Operating lease commitments as at 31 December 2018 – 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.

Future minimum rental payables under non-cancellable operating leases at 31 December 2018 are as follows:

	Group US$'000
Not later than one year	1,280
Later than one year but not later than five years	1,336
	2,616

Upon adoption of IFRS 16, exception for short-term lease payments, the present value of future minimum lease payments, which are no longer disclosed as commitments as shown above is recognised as right-of-use assets.

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.

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:

	2019			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
	US$'000	US$'000	US$'000	US$'000
Group				
Assets measured at fair value				
Financial assets:				
Equity investments designated at fair value through other comprehensive income (Note 16)				
Listed equity investment at fair value	103	–	–	103
Unlisted equity investment at fair value	–	–	726	726
Financial assets as at 31 December 2019	103	–	726	829

	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
	US$'000	US$'000	US$'000	US$'000
Group				
Assets measured at fair value				
Financial assets:				
Equity investments designated at fair value through other comprehensive income (Note 16)				
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

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:

	2019 US$'000	2018 US$'000
Equity investment designated at fair value through other comprehensive income		
At 1 January	1,444	1,979
Total loss recognised in other comprehensive expense	(718)	(535)
At 31 December	726	1,444

During the years ended 31 December 2019 and 2018, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3.

Below is a summary of the valuation techniques used and the key inputs to the valuation of financial assets under Level 3 fair value measurement as at 31 December 2019.

	Valuation techniques	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Unlisted equity investment at fair value	Recent transaction method under market approach and equity allocation model	Equity volatility	45% to 55%	5% increase in volatility would result in increase in fair value by US$129
		Discount for lack of marketability	8% to 20%	5% increase in discount rate would result in increase in fair value by US$19,079

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

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 2019 and 2018 but for which fair value is disclosed:

	2019				
	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					
Liabilities					
Fixed rate bank borrowings	–	637	–	637	636
Lease liabilities	–	3,512	–	3,512	3,512

	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					
Liabilities					
Fixed rate bank borrowings	–	1,642	–	1,642	1,650
Obligations under finance leases	–	91	–	91	94

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)

	2019				
	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	–	16,043	–	16,043	16,043

	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

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)

Determination of fair value

Bank borrowings, lease liabilities (2018: 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 rates for similar types of borrowings, leasing arrangements and deposits 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 2019 and 2018 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

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 2 and 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	Second-hand market value	Not applicable	Higher the second-hand market value, higher the fair value

Note:

(i) For the year ended 31 December 2018, the carrying amounts 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 amounts of US$346,000, US$142,000 and US$33,000 as at 31 December 2018, respectively, which are based on the market 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	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Financial assets:				
Equity investments designated at fair value through other comprehensive income	829	1,500	–	–
At amortised cost (including cash and cash equivalents)	63,423	65,318	16,043	16,678
Financial liabilities:				
At amortised cost	35,799	29,542	176	132

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 82% (2018: 74%) 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 the end of 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.

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

The tables below show 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. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2019

	12–month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Due from associates					
- Over 90 days past due	–	–	541	–	541
Trade receivables*	–	–	–	32,294	32,294
Investment – loan and receivable					
- Over 90 days past due	–	–	1,499	–	1,499
Financial assets included in other receivables					
- Normal**	831	–	–	–	831
Pledged bank deposit**	149	–	–	–	149
Cash and bank balances**	28,466	–	–	–	28,466
	29,446	–	2,040	32,294	63,780

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

Financial risk management objectives and policies (continued)

Credit risk (continued)

As at 31 December 2018

	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 receivables			
- Normal**	2,773	–	2,773
Pledged bank deposit**	148	–	148
Cash and bank balances**	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 19 to the financial statements.

** The credit quality of the financial assets included in other receivables, pledged bank deposit and cash and bank balances 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.

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 99% (2018: 94%) 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.

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

Analysis of financial instruments by remaining contractual maturity

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

	31 December 2019				31 December 2018			
	One year or less	One to five years	Over five years	Total	One year or less	One to five years	Over five years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
GROUP								
Financial assets:								
Trade and other receivables	33,309	–	–	33,309	27,504	–	–	27,504
Cash and short-term deposits	28,771	–	–	28,771	35,884	–	–	35,884
Loans and receivables	1,574	–	–	1,574	2,310	–	–	2,310
Total undiscounted financial assets	63,654	–	–	63,654	65,698	–	–	65,698
Financial liabilities:								
Trade and other payables	22,801	–	–	22,801	21,062	–	–	21,062
Lease liabilities	1,554	2,103	–	3,657	–	–	–	–
Bank borrowings	9,594	107	–	9,701	8,125	514	–	8,639
Finance leases	-	–	–	–	23	72	–	95
Total undiscounted financial liabilities	33,949	2,210	–	36,159	29,210	586	–	29,796
Total net undiscounted financial assets/(liabilities)	29,705	(2,210)	–	27,495	36,488	(586)	–	35,902

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

Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturity (continued)

	31 December 2019				31 December 2018			
	One year or less	One to five years	Over five years	Total	One year or less	One to five years	Over five years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
COMPANY								
Financial assets:								
Other receivables	100	–	–	100	30	–	–	30
Cash and short–term deposits	170	–	–	170	119	–	–	119
Amount due from a subsidiary	–	16,043	–	16,043	–	17,012	–	17,012
Total undiscounted financial assets	270	16,043	–	16,313	149	17,012	–	17,161
Financial liabilities:								
Other payables	176	–	–	176	132	–	–	132
Total undiscounted financial liabilities	176	–	–	176	132	–	–	132
Total net undiscounted financial assets	94	16,043	–	16,137	17	17,012	–	17,029

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 rates, 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 7% (2018: 20%) 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 (2018: 50) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been US$45,000 (2018: US$73,000) 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.

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

Foreign currency risk

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

	Group			
	Liabilities		Assets	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
JPY	108	89	450	439
US$	18,494	14,581	39,656	35,338
SG$	–	–	233	125
RMB	–	32	1,198	5,840

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% (2018: 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 strengthened by 10% (2018: 10%) against the functional currency of each group entity, profit before tax would increase by:

	Group	
	2019	2018
	US$'000	US$'000
JPY	34	35
US$	2,233	2,076
SG$	23	13
RMB	120	581

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

Foreign currency risk (continued)

Foreign currency sensitivity (continued)

If the following foreign currencies weakened by 10% (2018: 10%) against the functional currency of each group entity, profit before tax would decrease by:

	Group	
	2019	**2018**
	US$'000	**US$'000**
JPY	(34)	(35)
US$	(2,233)	(2,076)
SG$	(23)	(13)
RMB	(120)	(581)

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

Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to market price risk arising from its investments in quoted equity securities. These securities are quoted on the stock exchanges in Japan and Hong Kong and are classified as equity investments designated at fair value through other comprehensive income 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% (2018: 10%) higher/lower with all other variables held constant, the Group's other comprehensive income would have been US$10,000 (2018: US$6,000) higher/lower, arising as a result of the higher/lower fair value of quoted equity securities classified as equity investments designated at fair value through other comprehensive income.

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 2019 and 2018.

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 2019 and 2018.

The Group monitors capital using a gearing ratio, which is total bank borrowings and lease liabilities (2018: total bank borrowings and obligations under finance leases) for the Group, divided by shareholders' equity. The gearing ratio as at 31 December 2019 was 25.7% (2018: 14.8%).

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 businesses 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 losses on investments in associates 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.

36. SEGMENT INFORMATION (continued)

Segment assets excluded equity investments designated at fair value through other comprehensive income, loans and receivables, 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, lease liabilities (2018: obligations under finance leases) and unallocated corporate liabilities as these liabilities are managed on a group basis.

	LCD backlight units	Office automation	LCD parts and accessories	Others	Eliminations	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2019						
REVENUE						
External sales	61,744	21,179	16,817	1,747	–	101,487
Intersegment sales *	–	329	–	–	(329)	–
Total revenue	61,744	21,508	16,817	1,747	(329)	101,487
RESULTS						
Segment results	2,460	1,185	835	(202)	–	4,278
Unallocated corporate expenses						(3,157)
Operating profit						1,121
Finance costs						(278)
Interest income						422
Share of losses of associates						(1,857)
Loss before tax						(592)
Income tax expense						(1,277)
Loss for the year						(1,869)

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						
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 loss						(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

* Intersegment sales are eliminated on consolidation.

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
2019						
ASSETS						
Segment assets	47,167	19,187	16,448	1,629	(200)	84,231
Unallocated assets						3,785
Consolidated total assets						88,016
LIABILITIES						
Segment liabilities	13,791	5,485	3,262	219	(200)	22,557
Unallocated liabilities						14,816
Consolidated total liabilities						37,373
OTHER INFORMATION						
Capital expenditure	380	511	1,230	38		2,159
Additions to right-of-use assets	557	642	1,509	50		2,758
Depreciation of property, plant and equipment	635	396	363	16		1,410
Amortisation of right-of use assets	257	244	361	86		948
Increase/(decrease) in provision for inventories	60	51	66	(44)		133

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						88,929
LIABILITIES						
Segment liabilities	8,068	7,174	5,654	249	(131)	21,014
Unallocated liabilities						10,434
Consolidated total liabilities						31,448
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)

36. SEGMENT INFORMATION (continued)

Geographical information

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

	Revenue from external customers		Carrying amount of non-current assets**	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Hong Kong	13,372	20,209	1,396	472
PRC	73,270	54,154	5,450	3,549
Japan	14,329	14,880	2,222	2,119
Others	516	1,003	1,176	–
	101,487	90,246	10,244	6,140

** Non-current assets as at 31 December 2019 and 2018 mainly comprised property, plant and equipment, right-of-use assets and rental deposits as presented in the consolidated statement of financial position.

Information about major customers

Revenue from two major customers accounted for 44.3% and 22.6% (2018: one major customer accounted for 46.2%), respectively, of the total revenue, arising from sales with all segments.

37. DIVIDENDS

	Group and Company	
	2019	2018
	US$'000	US$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
Final exempt dividend for 2018: US0.7 cents (2018: US0.7 cents per share @ US$0.04 each) per share @ US$0.04 each	1,591	1,608
Interim exempt dividend for 2019: US0.4 cents (2018: US0.4 cents per share @ US$0.04 each) per share @ US$0.04 each	896	911
	2,487	2,519
Declared but not recognised as a liability as at 31 December:		
Estimated dividends on ordinary shares as at 31 December 2019:		
Second interim exempt dividend for 2019: US0.7 cents (2018: 2018 final exempt dividend US0.7 cents per share @ US$0.04 each) per share @ US$0.04 each	1,554	1,591

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

As at 1 January 2019, the Group had non-cash additions to right-of-use assets, net of impairment provision and lease liabilities of US$760,000 and US$2,281,000, respectively, in respect of lease arrangement for lease properties (2018: Nil).

During the year ended 31 December 2019, the Group had non-cash additions to right-of-use assets and lease liabilities of US$2,758,000 and US$2,758,000, respectively, in respect of lease arrangement for lease properties, motor vehicles and machineries.

(b) Changes in liabilities arising from financing activities

	2019	
	Bank borrowings US$'000	Lease liabilities US$'000
At 1 January 2019	8,386	2,281
Proceeds from bank borrowings	25,760	–
Repayment of bank borrowings	(24,662)	–
New leases	–	2,758
Termination of contracts	–	(75)
Interest expenses	–	145
Repayment of principal portion of lease payment	–	(1,413)
Repayment of interest element on lease liabilities	–	(145)
Foreign exchange movement	2	(39)
At 31 December 2019	9,486	3,512

	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 leases	–	102
Repayment of obligations under finance leases	–	(105)
Foreign exchange movement	(114)	–
At 31 December 2018	8,386	94

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

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 US$'000
Within operating activities	
Within financing activities	648
	1,558
	2,206

39. EVENTS AFTER THE REPORTING PERIOD

Due to the impact of COVID-19 in early 2020, it had a significantly unfavourable impact on the Group's sales and profitability in the first quarter.

The Group is following the directives outlined by the Chinese Government to contain the outbreak. During late January 2020 to March 2020 all of the Group's factories suffered from shortages of labour and materials. The Group has resolved these shortages and restored back to the normal working condition in April 2020. The Group has been closely monitoring the impact from the COVID-19 on the Group's business. Based on the information currently available, there has been no material adverse change in the financial or trading position of the Group up to the date of this report. However, the actual impact may differ from these estimates as the situation continues to evolve and further information becomes available.

40. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 2 June 2020.

STATISTICS OF SHAREHOLDINGS

As at 22 May 2020

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	13	0.90	604	0.00
100 - 1,000	294	20.46	217,855	0.10
1,001 - 10,000	438	30.48	2,713,600	1.22
10,001 - 1,000,000	680	47.32	57,495,749	25.90
1,000,001 AND ABOVE	12	0.84	161,559,600	72.78
TOTAL	1,437	100.00	221,987,408	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	MIKUNI CO., LIMITED	95,500,000	43.02
2	RHB SECURITIES SINGAPORE PTE. LTD.	22,733,150	10.24
3	DBS NOMINEES (PRIVATE) LIMITED	17,945,300	8.08
4	SBS NOMINEES PRIVATE LIMITED	7,935,500	3.58
5	UOB KAY HIAN PRIVATE LIMITED	4,425,000	1.99
6	OCBC SECURITIES PRIVATE LIMITED	3,073,600	1.39
7	NG HWEE KOON	2,703,250	1.22
8	RAFFLES NOMINEES (PTE.) LIMITED	2,166,050	0.98
9	LEE CHUE CHYE, LIONEL	1,499,900	0.68
10	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,292,000	0.58
11	KHOR KIAN BENG	1,180,000	0.53
12	NG CHOR MENG	1,105,850	0.50
13	TEO CHENG TUAN DONALD	1,000,000	0.45
14	WONG KIEN CHORN	1,000,000	0.45
15	LEOW BENG LEE (LIAO MINGLI)	977,000	0.44
16	DY MO HUA CHEUNG PHILIP	976,000	0.44
17	QUAH SIEW ENG EILEEN	940,000	0.42
18	FSK INVESTMENT HOLDING PTE. LTD.	937,550	0.42
19	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	895,799	0.40
20	YONG WOON CHONG	892,000	0.40
	TOTAL	169,177,949	76.21

STATISTICS OF SHAREHOLDINGS

As at 22 May 2020

Class of equity securities	:	Ordinary share
No. of equity securities (excluding treasury shares)	:	221,987,408
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 22 May 2020, the total number of treasury shares held is 30,189,702. The treasury shares as a percentage of the total number of issued shares excluding treasury shares is 13.60%.

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 22 MAY 2020
(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Mikuni Co., Limited	114,029,550(Note 1)	51.37	–	–
YOSHIMI Kunikazu	–	–	114,029,550(Note 2)	51.37

Notes:

1. 18,529,550 shares owned are held through a nominee account.

2. Mr. Yoshimi Kunikazu is deemed interested in the shares held by Mikuni Co., Limited ("Mikuni") by virtue of his shareholdings in Mikuni.

PUBLIC FLOAT

As at 22 May 2020, 47.74% 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 by way of electronic means on Tuesday, 30 June 2020 at 3:00 p.m. (Singapore time) 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 2019 together with the Independent Auditors' Report thereon. **(Resolution 1)**

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

Mr. LAI Shi Hong, Edward	(Retiring under Bye-law 104)	**(Resolution 2)**
Mr. YOSHIKAWA Makoto	(Retiring under Bye-law 104)	**(Resolution 3)**
Mr. CHIA Seng Hee	(Retiring under Bye-law 107(B))	**(Resolution 4)**

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

Mr. Chia Seng Hee will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee, a member of the Audit Committee, a member of the Risk Committee and will be considered independent.

[See Explanatory Note (i)]

3. To approve the payment of Directors' fees up to SG$260,000 for the year ending 31 December 2020 (2019: SG$260,000). **(Resolution 5)**

4. 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 6)**

5. 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:

6. **Authority to issue shares**

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

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

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

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

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares 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, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of SGX-ST; and

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

Adjustments in accordance with (aa) or (bb) are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of passing of this Resolution.

(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 7)**

7. **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 Employees' 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 (iii)] **(Resolution 8)**

8. **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 (iv)] **(Resolution 9)**

By Order of the Board

Tan Lay Hong
Company Secretary

Singapore
6 June 2020

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) In line with Provisions 4.4 of the 2018 Code of Corporate Governance: (a) saved as disclosed in the Annual Report 2019, there are no relationships or business relationships which Mr. Lai Shi Hong, Edward, his immediate family member, or an organisation which Mr. Lai or his immediate member is a substantial shareholder, partner (with 5% or more stake), executive officer or director in has with the Company or any of its related corporations, and Mr. Lai's direct association with a substantial shareholder of the Company, in the current and immediate past financial year. Mr. Lai does not hold directorships in other listed companies, and details of his other principal commitments can be found in the Annual Report 2019, in the Board of Directors' section, Corporate Governance Report section and Additional Information on Re-election of Directors Pursuant to Listing Rule 720(6) section.

In line with Provisions 4.4 of the 2018 Code of Corporate Governance: (a) saved as disclosed in the Annual Report 2019, there are no relationships or business relationships which Mr. Chia Seng Hee, his immediate family member, or an organisation which Mr. Chia or his immediate member is a substantial shareholder, partner (with 5% or more stake), executive officer or director in has with the Company or any of its related corporations, and Mr. Chia's direct association with a substantial shareholder of the Company, in the current and immediate past financial year. Mr. Chia directorships in other listed companies, and details of his other principal commitments can be found in the Annual Report 2019, in the Board of Directors' section, Corporate Governance Report section and Additional Information on Re-election of Directors Pursuant to Listing Rule 720(6) section.

The information on other directorships held by Mr. Yoshikawa Makoto, as well as the details of his other principal commitments can be found in the Additional Information on Re-election of Directors Pursuant to Listing Rule 720(6) section of the Annual Report 2019.

(ii) The Ordinary Resolution 7 in item 6 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) 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 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.

(iv) 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 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. The AGM is being convened, and will be held by way of electronic means pursuant to the COVID-19 (Temporary Measures) Act 2020 released on 7 April 2020 and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 issued on 13 April 2020.

2. This Notice of AGM will also be sent to members by way of electronic means via publication on the Company's website at https://cdw-holding.com.hk/ and the SGXNet.

3. The proceedings of this AGM will be broadcasted "live" through an audio-and-video webcast and an audio-only feed. Persons who hold shares through the Central Provident Fund ("**CPF**") or Supplementary Retirement Scheme ("**SRS**") ("**CPF/SRS investors**") who wish to follow the proceedings must pre-register at https://bit.ly/CDW2020AGM no later than 3:00 p.m. on 28 June 2020. Following verification, an email containing instructions on how to join the "live" broadcast will be sent to authenticated persons by 3:00 p.m. on 29 June 2020.

   Members are advised to also check the junk folder of their emails in case the emails are directed there instead of the inbox. Members who registered but do not receive an email response by 3:00 p.m. on 29 June 2020 may contact our Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at +65 6230 9768 or +65 6230 9580 (Mondays to Fridays, excluding Public Holidays, from 9.00 a.m. to 5.30 p.m.) or by email at srs.teamc@boardroomlimited.com.

4. Due to the current COVID-19 restriction orders in Singapore, members will not be able to attend the AGM in person. Members will also not be able to vote online on the resolutions tabled for approval at the AGM.

5. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote in his/her/its stead at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. The Chairman of the AGM, as a proxy, need not be a member of the Company.

6. The accompanying proxy form for the AGM may be accessed at the Company's website at https://cdw-holding.com.hk/ and the SGXNet. In addition, where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

7. If a member 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 appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote in his/her/its stead at the AGM, he/she/its must be shown to have shares entered against his/her/its 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.

8. The Proxy Form must be submitted in the following manner:

   (a) if submitted by post, be deposited at the Registered Office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or

   (b) if submitted electronically, be sent via email to srs.teamc@boardroomlimited.com;

   in either case, by 3:00 p.m. on 28 June 2020, being not less than forty-eight (48) hours before the time appointed for the AGM.

   A member who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed Proxy Forms by post, members are strongly encouraged to submit completed Proxy Forms electronically via email.

9. Members and Investors will not be able to ask questions "live" during the "live" broadcast of the AGM. All members may submit questions relating to the business of the AGM no later than 3:00 p.m. on 28 June 2020:

   (a) via the pre-registration website at https://bit.ly/CDW2020AGM;

   (b) by email to srs.teamc@boardroomlimited.com; or

   (c) by post to the Registered Office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623.

   When sending in your questions, please also provide us with the following details:

   (a) your full name;

   (b) your address;

   (c) number of shares held; and

   (d) the manner in which you hold shares (e.g., via CDP, CPF or SRS).

   We will endeavour to address all substantial and relevant questions received from members before 3:00 p.m. on 29 June 2020 by publishing our responses before the AGM on the Company's website at https://cdw-holding.com.hk/ and the SGXNet.

10. The Annual Report 2019 is published on the Company's website at https://cdw-holding.com.hk/ and the SGXNet.

11. Any reference to a time of day is made by reference to Singapore time.

Personal data privacy:

By submitting an instrument appointing a Chairman to as proxy to attend, speak and vote at the AGM 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 the appointment of Chairman as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (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.

CORPORATE INFORMATION

Board of Directors

Chairman and Chief Executive Officer
YOSHIKAWA Makoto

Executive Directors
DY MO Hua Cheung, Philip
KATO Tomonori

Lead Independent Director
CHONG Pheng

Independent Directors
CHIA Seng Hee
LAI Shi Hong, Edward
MITANI Masatoshi

Key Executive Officers

CHAN Kam Wah
SHINJO Kunihiko

Company Secretary

TAN Lay Hong

Audit Committee

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

Remuneration Committee

CHIA Seng Hee (Chairman)
CHONG Pheng
MITANI Masatoshi

Nominating Committee

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

Investment Committee

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

Risk Committee

CHONG Peng (Chairman)
CHIA Seng Hee
LAI Shi Hong, Edward

Bermuda Company Registration Number

35127

Registered Office

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
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

Ocorian Management (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
Bermuda

Assistant Secretary

Ocorian Services (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
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

Cogent Communications Pte. Limited
51 Goldhill Plaza #22-05
Singapore 308900
Tel: 65 6704 9288
Email: staff@cogentcomms.com

CDW Holding Limited

香港新界沙田火炭禾盛街11號中建電訊大廈11樓6-10室
Room 6-10, 11th Floor, CCT Telecom Building
11 Wo Shing Street, Fo Tan, Shatin, New Territories, Hong Kong
TEL: +852 2634 1511 FAX: +852 2690 3349

www.cdw-holding.com.hk