CDW HOLDING LIMITED
(Incorporated in Bermuda)
(Company Registration No. 35127)

ADJUSTMENTS BETWEEEN UNAUDITED FINANCIAL STATEMENTS RESULTS ANNOUNCEMENT AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Board of Directors (the "**Board**") of CDW Holding Limited (the "**Company**", together with its subsidiaries, the "**Group**") refers to the unaudited financial results of the Group for the financial year ended 31 December 2019 announced by the Company on 29 February 2020 (the "**Unaudited Results**").

Pursuant to Rule 704(6) of the SGX-ST Listing Rules, the Board wishes to announce that subsequent to the release of the Unaudited Results, the Company has adopted certain adjustments between the Unaudited Results and the audited financial statements for the financial year ended 31 December 2019 (the "**Audited Results**").

The adjustments are mainly related to the adoption of IFRS 16 and the subsequent impairment adjustment of right-of-use assets, fair value adjustments and expected credit loss valuation reports prepared by an independent firm of professional valuers.

The details of adjustments and variances between the Unaudited Results and the Audited Results with relevant explanatory notes are presented in Appendix A as attached to this announcement.

By Order of the Board

TAN Lay Hong
Company Secretary
7 June 2020

Appendix A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Unaudited (US$'000)	**Audited (US$'000)**	**Variance (US$'000)**	**Notes**
	(a)	(b)	(a) – (b)	
Revenue	101,487	101,487	-	
Cost of sales	(81,778)	(81,288)	(490)	(490) – Note 2
Gross profit	19,709	20,199		
Gross profit margin	19.4%	19.9%		
Other Operating Income	1,076	2,107	(1,031)	(977) – Note 3 (53) – Note 6 (1) – Rounding
Distribution costs	(2,200)	(2,200)	-	
Administrative expenses	(18,187)	(18,563)	376	(11) – Note 2 30 – Note 4 359 – Note 5 (2) – Rounding
Finance costs	(278)	(278)	-	
Share of losses of an associate	(1,857)	(1,857)	-	
Loss before tax	(1,737)	(592)		
Income tax expense	(1,133)	(1,277)	144	144 – Note 3
Loss after income tax	(2,870)	(1,869)		
Loss attributable to: Owners of the Company	(2,872)	(1,871)	(1,001)	(1,001) – Note 7
Non-Controlling interests	2	2	-	
Total	(2,870)	(1,869)		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited (US$'000)	Audited (US$'000)	Variance (US$'000)	Notes
	(a)	(b)	(a) – (b)	
Loss after income tax	(2,870)	(1,869)	(1,001)	(1,001) – Note 7
Other comprehensive income/(expenses):				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	32	36	(4)	(6) – Note 1 (2) – Note 5 4 – Rounding
	32	36		
Items that will not be reclassified to profit or loss				
Equity investments designated at fair value through other comprehensive income:				
Fair value gain/(loss) arising during the year	35	(661)	696	726 – Note 4 (30) – Note 4
Income tax effect	(2)	139	(141)	(141) – Note 4
	33	(522)		
Other comprehensive income/(expenses) for the year, net of tax	65	(486)		
Total comprehensive expenses for the year	(2,805)	(2,355)		
Attributable to: Owners of the Company	(2,807)	(2,357)	(450)	(450) – Note 8
Non-controlling interests	2	2	-	
Total comprehensive expenses for the year	(2,805)	(2,355)		

STATEMENT OF FINANCIAL POSITION (Group)

	Unaudited (US$'000)	Audited (US$'000)	Variance (US$'000)	Notes
	(a)	(b)	(a) – (b)	
<u>ASSETS</u>				
Non-current assets				
Property, plant and equipment	6,575	6,538	37	(53) – Note 6 90 – Note 8
Right-of-use assets	3,357	3,447	(90)	(1,478) – Note 1 501 – Note 2 977 – Note 3 (90) – Note 8
Investments in associates	1,881	1,881		
Investment	1,555	829	726	726 – Note 4
Other assets	312	311	1	1 – Rounding
Deferred tax assets	176	176	-	144 – Note 1 (144) – Note 3
Total non-current assets	13,856	13,182		
Current assets				
Inventories	9,890	9,890	-	
Trade and other receivables	34,646	34,289	357	357 – Note 5
Amounts due from associates	541	541	-	
Investments	1,499	1,499	-	
Pledged bank deposits	149	149	-	
Cash and bank balances	28,466	28,466	-	
Total current assets	75,191	74,834		
TOTAL ASSETS	89,047	88,016		

STATEMENT OF FINANCIAL POSITION (Group) (continued)

	Unaudited (US$'000)	Audited (US$'000)	Variance (US$'000)	Notes
	(a)	(b)	(a) – (b)	
<u>**LIABILITIES AND EQUITY**</u>				
Current liabilities				
Income tax payable	545	545	-	
Bank borrowings	9,384	9,384	-	
Finance leases	26	-	26	26 – Note 9
Lease liabilities	1,473	1,499	(26)	(26) – Note 9
Trade and other payables	22,733	22,733	-	
Amount due to an associate	138	138	-	
Total current liabilities	34,299	34,299	-	
NET CURRENT ASSETS	40,892	40,535		
Non-current liabilities				
Bank borrowings	102	102	-	
Finance leases	65	-	65	65 – Note 9
Lease liabilities	1,948	2,013	(65)	(65) – Note 9
Retirement benefit obligations	407	407	-	
Deferred tax liabilities	693	552	141	141 – Note 4
Total non-current liabilities	3,215	3,074		
TOTAL LIABILITIES	37,514	37,373		
NET ASSETS	51,533	50,643		
Equity attributable to owners of the Company				
Share capital	10,087	10,087	-	
Treasury shares	(4,385)	(4,385)	-	
Retained earnings	26,176	25,837	339	1,340– Note 1 (1,001) – Note 7
Fair value adjustment reserve	134	(421)	555	555 – Note 4
Foreign currency translation reserve	2,234	2,238	(4)	(6) – Note 1 (2) – Note 5 4 – Rounding
Reserves – Others	17,276	17,276	-	
	51,522	50,632		
Non-controlling interests	11	11	-	
TOTAL EQUITY	51,533	50,643		
TOTAL LIABILITIES AND EQUITY	89,047	88,016		

CONSOLIDATED STATEMENT OF CASH FLOWS (Group)

	Unaudited (US$'000)	Audited (US$'000)	Variance (US$'000)	Notes
	(a)	(b)	(a) – (b)	
Loss before income tax	(1,737)	(592)	(1,145)	
Adjustments for				
Interest income	(422)	(422)	-	
Finance costs	278	278	-	
Net loss on disposal of property, plant and equipment	40	40	-	
Reversal of impairment of property, plant and equipment	-	(53)	53	53 – Note 6
Reversal of impairment of right-of-use assets	-	(977)	977	977 – Note 3
Increase in provision for inventories	133	133	-	
Depreciation of property, plant and equipment	1,435	1,410	25	25 – Note 10
Depreciation of right-of-use assets	1,425	948	477	501 – Note 2 (25) – Note 10 1 – Rounding
Impairment of intangible assets	861	-	861	861 – Note 12
Share of loss of an associate	1,857	1,857	-	
Gain on deemed disposal of an associate	(158)	(158)	-	
Share-based payment expense	41	41	-	
Retirement benefit obligations	81	81	-	
Loss on termination of lease contracts	-	25	(25)	(25) – Note 11
Expected credit losses of trade receivables	-	359	(359)	(359) – Note 5
Operating cash flows before movements in working capital	3,834	2,970		
Change in working capital:				
Trade and other receivables	(6,296)	(5,437)	(859)	(861) – Note 12 2 – Note 5
Amount due to/from an associate	(165)	(165)	-	
Inventories	133	133	-	
Trade and other payables	1,510	1,510	-	
Cash generated from/(used in) operations	(984)	(989)		
Net income tax paid	(1,400)	(1,400)	-	
Interest paid	(278)	(133)	(145)	(145) – Note 13
Net cash used in operating activities	(2,662)	(2,522)		

CONSOLIDATED STATEMENT OF CASH FLOWS (Group) (continued)

	Unaudited (US$'000)	**Audited (US$'000)**	**Variance (US$'000)**	**Notes**
	(a)	(b)	(a) – (b)	
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	39	14	25	25 – Note 11
Purchase of property, plant and equipment	(2,155)	(2,159)	4	4 – Rounding
Decrease in other assets	(35)	(35)	-	
Decrease in loans and receivables	701	701	-	
Additional investment in equity investment designated at fair value through other comprehensive income	(12)	(12)	-	
Interest income received	422	422	-	
Net cash used in investing activities	(1,040)	(1,069)		
FINANCING ACTIVITIES				
Payment for the share buyback	(633)	(633)	-	
Proceeds from bank borrowings	25,760	25,760	-	
Repayment of bank borrowings	(24,662)	(24,662)	-	
Repayment of obligation under finance leases	(42)	-	(42)	(42) – note 13
Repayment of principle portion of lease liabilities	(1,371)	(1,413)	42	42 – note 13
Payment of interest element on lease liabilities	-	(145)	145	145 – note 13
Dividend paid	(2,487)	(2,487)	-	
Net cash used in financing activities	(3,435)	(3,580)		
Net decrease in cash and cash equivalents	(7,137)	(7,171)	34	34 – note 14
Net effect of currency translation differences	138	172	(34)	(34) – note 14
Cash and cash equivalents at 1 January	35,465	35,465		
Cash and cash equivalents at 31 December	28,466	28,466		

Earnings per ordinary share of the Group

	Unaudited	**Audited**
Based on weighted average number of ordinary shares in issue (US cents)		
- Basic	(1.27)	(0.83)
- Fully diluted (Note f)	(1.27)	(0.83)*
Weighted average number of ordinary shares for the purpose of basic earnings per ordinary share (Note g)	225,676,792	225,676,792
Effect of dilutive share options	660,354	-
Weighted average number of ordinary shares for the purpose of diluted earnings per ordinary share	226,337,146	225,676,792

Note f: Diluted effect on loss per share referred to share options granted to the participants under the Company's Employee Share Option Scheme 2018 remained outstanding as at 31 December 2019.

Note g: The weighted average number of ordinary shares was computed after adjusting for the effect of treasury shares held by the Company.

* 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.

Notes:

1. During the annual audit for FY2019, a review of the recoverable amounts of the Group's Right-of-Use Assets on 1 January 2019 was carried out. Impairment provision of US$1,478,000 of certain lease properties was then recognised and reduced the value of Right-of-Use Assets by the same amount. In addition, deferred tax assets amounting to US$144,000 were therefore recognised and increased the Deferred Tax Assets in the Group's Statement of Financial Position by the same amount.

   The corresponding effect in the Group's Statement of Financial Position was to reduce the Retained Earnings by US$1,340,000 (being impairment of US$1,484,000 less deferred tax assets of US$144,000) with an increase in Foreign Currency Translation Reserve by US$6,000.

2. As impairment adjustment for those lease properties stated in Note 1 above was only effected after year end, depreciation for those lease properties, which had already been provided and charged to the Group's Consolidated Statement of Profit or Loss for FY2019, should be reversed as if the impairment adjustment should had been taken place on 1 January 2019. As such, the value of Right-Of-Use Assets was increased by US$501,000 through a reduction in accumulated depreciation by the same amount.

   The corresponding effect of this reversal of depreciation charge in the Group's Consolidated Statement of Profit or Loss was to reduce the Cost of Sales by US$490,000 and to reduce the Administrative Expenses by US$11,000.

3. During the annual audit for FY2019, a review of the recoverable amounts of the Group's Right-Of-Use Assets on 31 December 2019 was carried out. As the recoverable amounts of Right-Of-Use Assets exceeded their carrying amount, impairment previously provided was excessive and was to be reversed. Such excessive impairment amounting to US$977,000 was then reversed and increased the Right-Of-Use Assets by the same amount.

   In addition, deferred tax expense of US$144,000 was recognized and charged to the Groups' Consolidated Statement of Profit or Loss. Deferred Tax Assets in the Group's Consolidated Statement of Financial Position was, therefore, reduced by the same amount of US$144,000.

4. Included in Equity Investments Designated at Fair Value Through Other Comprehensive Income was an investment in a company known as LGM Co., Limited ("LGM").

As at year end, Management engaged an independent firm of professional valuers to conduct an impairment assessment over its investment in LGM. In accordance with the impairment assessment, the Group provided an impairment of US$726,000 while this impairment led to an effect of deferred tax liabilities of US$141,000. A net amount of US$555,000 was charged to Other Comprehensive Income with an exchange loss of US$30,000, being the calculation difference between the average exchange rate for FY2019 and the closing exchange rate as at 31 December 2019, charged to Administrative Expenses in the Group's Consolidated Statement of Profit or Loss.

5 During the year, the Group obtained advice from a professional valuation firm and estimated the Expected Credit Loss by applying a loss rate approach with reference to the historical loss record. 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. It was also 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 Expected Credit Loss of US$357,000 for the year then ended and reduced the Trade Receivables by the same amount.

The corresponding effect of this Expected Credit Loss was to increase the Administrative Expenses in the Group's Consolidated Statement of Profit or Loss by US$359,000 with a decrease of US$2,000 in Foreign Currency Translation Reserve in the Group's Statement of Financial Position.

6. During the year, Management carried out an impairment assessment of the Property, Plant and Equipment. This involved determining the recoverable amounts as at 31 December 2019 by using value-in-use calculations based on discounted cash flow forecasts. As the recoverable amounts of these Property, Plant and Equipment exceeded their carrying amount, impairment previously provided was. Such excessive impairment amounting to US$53,000 was then reversed and increased the value of Property, Plant and Equipment by the same amount.

The corresponding effect was to recognise this reversal as an income and to increase the Other Operating Income of the Group's Statement of Profit or Loss by US$53,000.

7. It represented the aggregate financial effects on the Group's Consolidated Statement of Profit or Loss as set out in Note 2 to Note 6 above.

8. It represented the aggregate financial effects on the Group's Consolidated Statement of Profit or Loss as set out in Note 1 to Note 6 above.

9. With the effect of adoption of IFRS 16, the finance leased assets amounting to US$90,000 included in Property, Plant and Equipment was reclassified to Right-of-Use Assets. As such, Property, Plant and Equipment was reduced by US$90,000 while Right-of-Use Assets was increased by the same amount.

   On the same basis, the Obligation under Finance Leases was to be reclassified to Lease Liabilities. As such, the current portion of Obligation under Finance Leases amounting to US$26,000 was reclassified to the current portion of Lease Liabilities, while the non-current portion of Obligation under Finance Leases amounting to US$65,000 was reclassified to the non-current portion of Lease Liabilities

10. With the effect of adoption of IFRS 16, the finance leased assets previously included in Property, Plant and Equipment was reclassified to Right-of-Use Assets. Accordingly, the depreciation of Property, Plant and Equipment of US$25,000 was reclassified to the depreciation of Right-of-Use Assets.

11. Included in the proceeds from the disposal of Property, Plant and Equipment is an amount of US$25,000 which should be recognised as loss on termination of lease contracts and, therefore, adjustment was made accordingly.

12. The prepayment for the acquisition of intangible assets, amounting to US$861,000 which had been recognised as research and development expenses and was reclassified from non-cash adjustment to the change in working capital.

13. With the effect of adoption of IFRS 16, the leases previously classified as finance leases were reclassified to lease liabilities. Accordingly, the interest payment on lease liabilities amounting to US$145,000, which was disclosed under interest payment, was reclassified to payment of interest element on lease liabilities.

    On the same basis, the repayment of obligation under finance leases amounting to US$42,000 was also reclassified to the repayment of principle portion of lease liabilities.

14. It represented the aggregate financial effects on the Group's Consolidated Statement of Cash Flows as set out in Note 2 to Note 3, Note 5 to Note 6 and Note 10 to Note 13 above.