CDW Holding Limited

BUILD ADAPT PROGRESS

Annual Report 2020

A Reliable Outsourcing Partner with Japanese Precision

日本の技術力と信頼性を世界へ

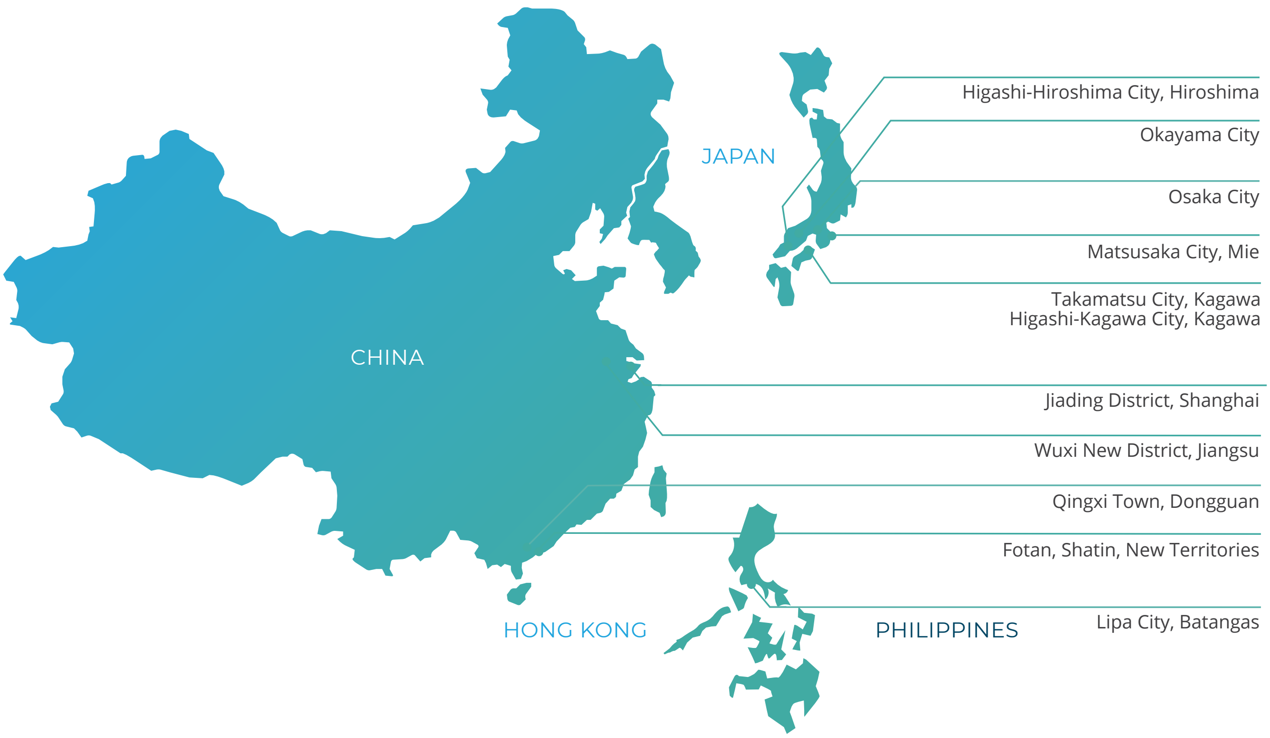
With an eagle-eyed focus on producing higher margin, popular consumer electronics, while expanding prudently and managing costs, we are on the right course for long-term sustainable growth. That's Sound Strategy.

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 digital instrument panels of premium atomobiles, ultrathin notebook computers, mobile communication equipment, gamebox entertainment equipment, consumer and information technology equipment, office equipment and electrical appliances.

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.

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
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.

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.

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.

Corporate Milestones

2021

TM Bio entered into a master supplier agreement with Cosmo Beauty Co., Ltd. for Anti-aging skincare compound in January.

2020

CDW experienced growing demand from leading car makers with the shift towards digital instrument panels in mass market car models.

The patent filed by CDW and ABio was awarded in September for the use of Cripto-1 to suppress the progression of cancer stem cells.

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.

After the incorporation of A Bio in 2018, CLS focused on marketing 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.

2012

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

Letter to Shareholders

THIS CONTINUED SERIES OF ORDERS ARE A REFLECTION OF OUR LONG-TERM STRATEGY OF ALIGNING OUR RESOURCES TO FOCUS ON THESE MARKETS AND IT TRANSLATED TO A STRONGER FOOTING FOR US IN THE LCD BACKLIGHT UNITS SEGMENT.

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 2020 ("FY2020").

FY2020 was a watershed year for the Group, with our LCD Backlight Units segment recording sizeable orders for larger-sized LCD backlight units that are used in digital instrument panels of premium automobiles and ultrathin notebook computers. This continued series of orders are a reflection of our long-term strategy of aligning our resources to focus on these markets and it translated to a stronger footing for us in the LCD Backlight Units segment.

In a similar vein, the Group's Life Science business has announced the anti-Cripto-1, a monoclonal antibody that was jointly developed with Okayama University which shows promise for use in a wide range of anti-cancer drugs by inhibiting cancer cell growth. Further testing is in the pipeline and this gives us greater optimism for further discoveries that may be developed from our anti-body library to diversify our revenue and future growth prospects.

During FY2020, we have also inked a master supplier agreement with major Japanese cosmetics manufacturer, Cosmo Beauty Co., Ltd., where we will be providing our new pterostilbene glycoside compound to be used in their extensive range of products. This new compound boosts collagen production in the skin to reduce wrinkles and is thrice as effective as the current market leader. It was created after four years of research and development and allows us to tap into Japan's highly lucrative wrinkle-improving creams market.

These key milestones were achieved despite external headwinds and a challenging business environment that was exacerbated by US-China trade tensions and Novel Coronavirus ("COVID-19") pandemic which disrupted the global economy and supply chains.

Meanwhile, our Office Automation, and LCD Parts and Accessories business segments remained stable and continued to manage the persistent challenges of intense price competition and lower revenues due to model obsolescence or phasing out.

A subset of the LCD Parts and Accessories segment, our OEM business for mobile payment devices, continued to face stiff price competition from other PRC suppliers. In response to this competitive environment and the ongoing US-China trade war, we streamlined and removed non-competitive models and are shifting the bulk of operations for this business to a new facility in the Philippines. Our new 21,500 square foot facility in the Philippines has been outfitted with production equipment such as SMT machines, cutting machines and testing machines. However, production is currently on hold due to COVID-19 related travel restrictions, so as a stop-gap measure, we have subcontracted production to a partner in Thailand.

For the year under review, the Group recorded total revenue of US$111.8 million, which is US$10.3 million or 10.2% higher than US$101.5 million in the previous financial year. This was largely due to the abovementioned orders for larger-sized LCD backlight units. The increase also helped offset the lower revenue of other segments, which had partial work stoppages at their plants in China due to blanket requirements for selected provinces to cease production to contain the COVID-19 at the early stage of the outbreak. Other challenges that arose due to the COVID-19 pandemic that we had to deal with include disrupted supply chains that affected the supply of locally manufactured accessory materials, and the restriction of workers' movement in affected areas which affected their reporting for duty at our factories.

Alongside our progress at the macro level, we have also continued to improve operational efficiencies, increase our utilisation rate, and deploy more efficient equipment and methods, which has helped to increase the Group's gross profit by US$2.3 million from US$20.2 million in FY2019 to US$22.5 million in FY2020. The Group's gross profit margin likewise increased to 20.2% from 19.9% previously. As a result of the above, the Group recorded a profit before income tax of US$3.4 million in FY2020 as compared to a loss before income tax of US$0.6 million in FY2019.

Outlook & Strategy

The widespread impact of COVID-19 continues into FY2021 with numerous countries still struggling with multiple waves of outbreaks that have triggered new rounds of travel restrictions across and within borders. While vaccination programmes have begun to roll out, their staggered implementation and effectiveness still remains to be seen, and it is still unclear when the COVID-19 pandemic can be fully resolved. Till then, the Group remains vigilant and adheres to restrictions and guidelines of the respective governments where it operates, in order to provide a safe working space for its staff, partners, and customers.

To date, while most of the world has acclimatised to safe distancing and elevated hygiene practices, these new norms continue to affect activity at all levels. Prior to the pandemic, we had anticipated the growth in demand for large-sized LCD Backlight units, which eventually was lower than anticipated. Nonetheless, we are confident of our direction as our observations since 2014 have seen a steady shift in demand away mass-produced consumer electronics like smartphones and gaming consoles, to LCD applications in digital instrument panels and infotainment displays for automobiles, and ultrathin notebook computers.

More recently, there has been a surge in demand for LCD Backlight Units for use in automobile displays as leading car makers in Germany and the United States of America move toward full-panel digital instrument panels in their higher-end car models. The instrument panels of earlier car models tended to be a mix of analog and digital displays, whereas automobiles today increasingly feature digital instrument panels that integrate traditional instrumental displays such as tachometer, speedometer, odometer, fuel gauge and temperature reading, with modern functions such as GPS navigation, rear-view cameras, and in-car entertainment.

We believe that this trend in the automobile industry will continue and contribute positively to CDW's growth in the year ahead, especially as the trend of using fully digital displays steadily shifts to mainstream automobiles. A recently published report[1] by market intelligence firm Future Market Insights estimates that the global automotive display units market is predicted to grow at a CAGR of around 8.0% per year in the next decade until 2029.

We are well-positioned to continue serving this growing market for large-sized LCD backlight units due to our competitive advantages. At the forefront of these advantages is our superior product quality which has been acknowledged by our key customer, with us being the best among their suppliers for LCD backlight units. We also provide premium service support as our offices in Japan and China are in close proximity to the key customer's head offices and factories, allowing for quicker responses times to provide technical support, facilitate production planning, and address issues that may arise. This superior service level also allows the Group to perform higher value-added activities for

[1] *https://www.futuremarketinsights.com/reports/automotive-display-units-market*

Letter to Shareholders

its key customer such as product development and design for their light guide panels and LCD backlight units for automobile digital instrument panels. Lastly, the Group has readily available production capacity to scale up in accordance with the customer's demand, at competitive rates.

As for our Office Automation and LCD Parts and Accessories segments, travel restrictions due to the COVID-19 pandemic have delayed product development and this may affect the mass production of new products for FY2021. Performance is still anticipated to be largely stable and we will stay nimble to adapt to changes in regulations. For our new OEM operations in the Philippines, we estimate that two to three months preparation would be sufficient to prepare for mass production once lockdown and travel restrictions are lifted.

The Group's Life Sciences business is now gearing for a new exciting phase of development as the aforementioned anti-Cripto-1 antibody will undergo further clinical trials to determine its efficacy in treating human patients. Our associate company, A Biotech Co., Limited ("A Bio"), will commence pre-clinical toxicology tests in 2021, in preparation for eventual use in clinical trials. Depending on the results of the pre-clinical trials, the Group expects to license the intellectual property rights to pharmaceutical industry players for clinical trial in 2022 and subsequent manufacturing and distributing of the drugs developed from the anti-Cripto-1 antibody. This would potentially allow us to tap into the global tumour therapeutics market which was valued at US$98.9 billion in 2018 and is estimated to reach US$180 billion by 2026, registering a CAGR of 7.7% from 2019 to 2026[2].

Another milestone for FY2020 was the co-authoring of two research papers on cancer stem cells by our subsidiary, GSP Enterprise Inc ("GSP"), and Okayama University. The first paper on the anti-Cripto-1 antibody was published in the International Journal of Molecular Sciences while the second paper about cancer stem cell research was published in the American Journal of Cancer Research. The acceptance of these prominent scientific journals to publish our research further validates the Group's efforts to develop more effective anti-cancer therapies using the vast antibody library acquired through GSP.

Moving forward, we will stay focused on our aim of identifying research-driven yet commercialisable projects that can have a positive impact on the quality of human life. We will continue to develop our life science business and market our 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. We will also continue working with Meisterbio Co., Limited ("Meisterbio"), to explore opportunities to leverage on intellectual property ("IP") rights acquired from Meisterbio together with the sales and distribution rights in Japan, Korea, and other Asian markets. The Group continues to market Meisterbio's products which contain the IP to different customers to be tested to see if they are applicable to their product line-up.

Although there is uncertainty in 2021 due to the COVID-19 pandemic, geopolitical disputes and other external factors, we will continue to work with our customers on product development, grow our other businesses to diversify, explore alternative manufacturing locations for risk diversification, and explore new business opportunities.

Conclusion

The past financial year has been unprecedented and on behalf of the Board, I would like to thank the management, staff and shareholders for their support. We seek your continued faith and support for the coming year as we weather the storm together.

In closing, we would like to once again show our appreciation with a proposed final dividend of 0.7 US cent per ordinary share, subject to shareholder approval at the upcoming Annual General Meeting. In addition to the interim dividend of 0.4 US cent per ordinary share announced earlier, this would amount to a total dividend of 1.1 US cent per ordinary share for FY2020.

Yours Sincerely,
YOSHIKAWA Makoto
Chairman and Chief Executive Officer

[2] *Shaikh, S., Pajankar, S., & Sumant, O. (2019). Cancer Therapeutics Market Size and Share | Industry Forecast By 2026. Allied Market Research. Retrieved 29 October 2020, from https://www.alliedmarketresearch.com/cancer-therapeutics-biotherapeutic-market.*

Financial and Operations Review

STATEMENT OF PROFIT AND LOSS

For the year ended 31 December 2020 ("FY2020"), the Group revenue rose by US$10.3 million to US$111.8 million from US$101.5 million in the year ended 31 December 2019 ("FY2019"). The increase was mainly due to the growth in the LCD Backlight Units segment, particularly for orders of larger-sized LCD backlight units used in the digital instrument panels of premium automobile and the displays of ultrathin notebook computers.

The growth in this segment offset the loss in revenue from the other segments that were affected by the Novel Coronavirus ("COVID-19") pandemic which halted work at the Group's plants in China due to a blanket requirement for selected provinces to cease production in the early part of 2020. The COVID-19 pandemic also disrupted the Group's supply chain as the lockdowns limited travel and locally manufactured accessory materials were in short supply. The issue was compounded when workers in affected areas were prohibited by the government from reporting for duty at the Group's factories. These pandemic-related restrictions negatively impacted production and by extension, the revenue for FY2020. Despite these limitations, the Group reported an improved gross profit through the increase in the utilisation rate and the deployment of more efficient equipment and methods. Gross profit for the year under review grew by US$2.3 million from US$20.2 million in FY2019 to US$22.5 million in FY2020. Similarly, the Group's gross profit margin also improved, increasing to 20.2% in FY2020, as compared to 19.9% in FY2019.

Meanwhile, other operating income for FY2020 decreased by US$0.7 million to US$1.4 million (FY2019: US$2.1 million) due to the absence of impairment losses written back. This amount mainly comprised government subsidies, interest income earned and foreign exchange gains included in sundry income. With regard to expenses for FY2020, distribution expenses increased by US$1.1 million to US$3.3 million (FY2019: US$2.2 million) while administrative expenses decreased by US$1.9 million to US$16.7 million (FY2019: US$18.6 million). The higher distribution expenses were mainly attributable to the increase in packing materials used for larger sized LCD backlight units and their higher transportation costs. The decrease in administrative expenses was due to cost control measures on wages-related expenses and a reduction in other operating expenses, particularly the travelling and entertainment expenses and development expenses paid to third parties. The increase in professional fee was attributable to the legal cost of the due diligence over the whistleblowing happened in FY2019 to the Group's associate company, A Biotech Limited. The increase in foreign exchange loss was caused by the appreciation of Chinese Renminbi and Japanese Yen against United States dollars during FY2020. Finance costs remained low for the year under review as the Group continues to strictly uphold its low gearing policy despite the current low interest environment.

The Group's associated company, which is still in its development phase, incurred a loss in FY2020 and accordingly, the Group shared an operating loss of US$0.2 million (FY2019: US$1.9 million).

In FY2020, income tax expenses increased by US$0.6 million to US$1.9 million from US$1.3 million in FY2019. The high effective tax rate was attributable to tax credits from the loss-making subsidiaries not being able to fully offset the income tax payable from the profit-making subsidiaries.

As a result of the foregoing, the Group recorded a profit before income tax of US$3.4 million (FY2019: Loss before income tax of US$0.6 million) and registered a profit after income tax of US$1.5 million (FY2019: Loss after income tax of US$1.9 million) for FY2020.

Financial and Operations Review

LCD Backlight Units ("LCD BLUs")

In FY2020, revenue from the LCD Backlight Units segment increased by 35.7% or US$22.0 million to US$83.7 million (FY2019: US$61.7 million). The increase in revenue was due to the combination of both higher order volume and a higher average selling price of larger-sized LCD backlight units intended for use in displays of digital instrument panels of premium automobiles and ultrathin notebook computers. As such, there was a 132.0% increase in operating profit from the previous financial year to US$5.8 million in FY2020 (FY2019: US$2.5 million).

The total number of units sold for the period under review amounted to 7.6 million units (FY2019: 7.5 million units), comprising 4.0 million units (FY2019: 2.5 million units) for LCD backlight units of size over 8 inches (representing an increase of 60.0%), 2.4 million units (FY2019: 2.1 million units) for size between 5 to 8 inches (representing an increase of 14.3%) and 1.2 million units (FY2019: 2.9 million units) for size below 5 inches (representing a decrease of 58.6%).

LCD BLUs of over 8 inches accounted for 86.0% (FY2019: 67.6%) of the segment's revenue, of which 43.3% (FY2019: 31.2%) was for digital instrument panels of premium automobiles and 42.7% (FY2019: 36.4%) was for displays of ultrathin notebook computers respectively. Approximately 2.4 million units sold in FY2020 (FY2019: 1.5 million) was related to digital instrument panels of premium automobiles, while 1.6 million units sold (FY2019: 1.0 million) went to ultrathin notebook computers.

LCD Parts and Accessories

The sales for the LCD Parts and Accessories segment decreased by US$3.0 million to US$13.8 million in FY2020 (FY2019: US$16.8 million). The reduction in revenue was mainly due to the ongoing US-China trade tensions, which lead to a reduction in the Group's OEM business volume and sales decreased by US$5.8 million to US$2.8 million in FY2020 (FY2019: US$8.6 million). The revenue in the LCD Parts and Accessories business increased by US$2.8 million to US$11.0 million in FY2020 (FY2019: US$8.2 million) due to strong demand for related parts and accessories of LCD displays. As a result, the segment booked an operating profit of US$1.2 million for FY2020 (FY2019: US$0.8 million).

Office Automation

The revenue from this segment fell by US$8.0 million to US$13.2 million in FY2020 (FY2019: US$21.2 million) with the segment recorded a small operating profit of US$0.1 million in FY2020 (FY2019: US$1.2 million). The decrease in both revenue and operating profit results were attributable to the aforementioned COVID-19-related disruptions.

Other Segment

The Other segment mainly includes the Group's food and beverage business and the life science business. The segment generated revenue of US$1.1 million for FY2020 (FY2019: US$1.8 million). As the Life Science division is still in the initial development stage, the segment recorded an operating loss of US$0.03 million in FY2020 (FY2019: US$0.2 million).

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020, the Group's total assets and liabilities stood at US$102.3 million and US$50.7 million respectively, as compared to US$88.0 million and US$37.4 million as at 31 December 2019.

Current assets rose 18.0% to US$88.3 million as at 31 December 2020, as compared to US$74.8 million as at 31 December 2019, with cash and bank balances increasing by 15.8% or US$4.5 million to US$33.0 million for FY2020 (FY2019: US$28.5 million).

Financial and Operations Review

In line with the rise in revenue for FY2020, particularly with the recovery of LCD backlight units orders, inventory increased from US$9.9 million as at 31 December 2019 to US$13.5 million as at 31 December 2020, in order to fulfil the orders in coming months. As a result of the increase in business, trade receivables also increased by 11.9% or US$3.8 million from US$31.9 million as at 31 December 2019 to US$35.7 million as at 31 December 2020. With the exception of the longer credit term of 150 days offered to our key customers, there was no material change in the credit term of 30 days to 90 days offered to customers in general.

Other receivables and prepayments of US$3.3 million (31 December 2019: US$2.4 million) mainly represented other debtors, utility deposits, prepaid expenses, value added tax recoverable and sales tax prepaid. During the year under review, the Group provided financial support in terms of interest-bearing loans to A Biotech Co., Limited, an associated company of the Group, for its research and development of commercial applications of its antibody library. As such, the amounts due from associate increased from US$0.5 million as at 31 December 2019 to US$1.3 million as at 31 December 2020 after deducting expected credit loss of US$0.02 million. Loans and other receivables of US$1.5 million represented the sales proceeds for the disposal of interest in a subsidiary of which the payment was overdue, and action has been taken to recover the outstanding debt. The Group expected the outstanding debt will be recovered in full and no impairment is considered necessary.

The non-current assets of the Group stood at US$14.0 million as at 31 December 2020 (31 December 2019: US$13.2 million). The Group spent on renovation for its factory in the Philippines and purchased equipment during the year for a total sum of US$1.3 million which was reflected in property, plant and equipment total of US$6.8 million as at 31 December 2020 (31 December 2019: US$6.5 million). This was netted off against the depreciation charge of US$1.3 million and the foreign currency translation effect of US$0.4 million. During the year under review, there was an amortisation of right-of-use assets amounting to US$1.7 million and new leases or modification to the existing leases amounting to US$2.0 million. With the foreign currency translation effect of US$0.2 million, the net effect of these two factors increased the right-of-use assets from US$3.4 million as at 31 December 2019 to US$3.9 million as at 31 December 2020. The equity investments designated at fair value through other comprehensive income included the equity investment in a Korean company, which offered the Group the manufacturing and distribution rights for its products, and listed shares in Japan. Investment in associates represented our 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.

KEY FINANCIAL DATA

US$mn	FY2020	FY2019	FY2018	FY2017	FY2016
Total assets	102.3	88.0	88.9	88.5	83.5
Total liabilities	50.7	37.4	31.4	27.6	23.2
Current assets	88.3	74.8	76.7	78.9	72.6
Current liabilities	44.5	34.3	29.9	25.3	22.0
Shareholders' equity	51.6	50.6	57.5	60.9	60.3
Revenue	111.8	101.5	90.2	104.1	103.2
Profit/(loss) before tax	3.4	(0.6)	2.6	4.5	3.0
Profit/(loss) after tax	1.5	(1.9)	0.8	1.7	0.4
Earnings/(loss) per share (US cents)	0.66	(0.83)	0.39	0.75	0.17
Dividends per share (US cents)	1.10*	1.10	1.10	1.20	0.70

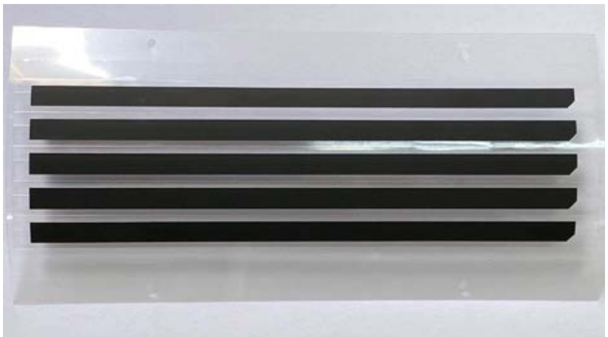
* including the final dividend for FY2020

Financial and Operations Review

Total liabilities as at 31 December 2020 rose to US$50.7 million, representing an increase of US$13.3 million (31 December 2019: US$37.4 million). In relation to the right-of-use assets as mentioned above, there were lease liabilities of US$4.0 million as at 31 December 2020 (31 December 2019: US$3.5 million), of which US$1.7 million was payable within one year and was classified under current liabilities (31 December 2019: US$1.5 million). During the year under review, there was a repayment of lease liabilities amounting to US$1.7 million (FY2019: US$1.4 million).

As explained in the statement of cash flows, the Group redrew bank borrowings amounting to US$20.6 million while settling bank borrowings amounting to US$16.9 million with net proceeds of US$3.7 million during FY2020. Total outstanding bank borrowings was US$13.2 million as at 31 December 2020 (31 December 2019 US$9.5 million) and it used for general working capital and financing purposes.

Trade payables substantially increased by US$8.4 million to US$27.8 million as at 31 December 2020 (31 December 2019: US$19.4 million) mainly due to the purchases of raw materials near the year-end for sales orders in coming quarters. 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. Other payables and accruals, mainly representing wages payable and other payables for operating expenses, slightly increased by US$0.5 million from US$3.3 million as at 31 December 2019 to US$3.8 million as at 31 December 2020.



The income tax for FY2020 was provided and adjusted under the tax rules of various jurisdictions. The income tax charge net of payment for the period under review had increased the income tax payable by US$0.1 million to US$0.6 million (31 December 2019: US$0.5 million).

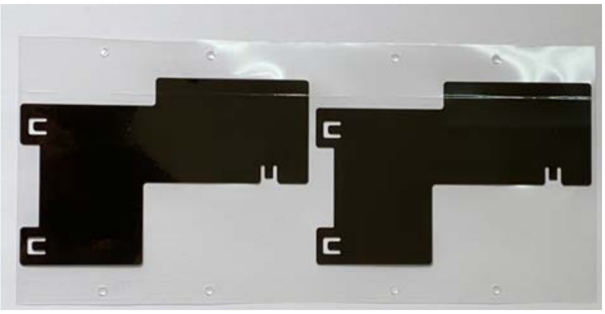
Included in the non-current liabilities were retirement benefit obligations for directors in the Group's subsidiaries in Japan and deferred tax liabilities related to the withholding tax on dividends from the profitmaking subsidiaries in China, and the tax effects of temporary differences between the carrying amounts of assets or liabilities and their tax bases.

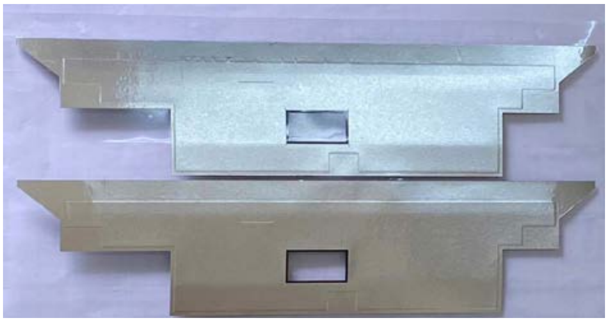
STATEMENT OF CASH FLOWS

During the year under review, the Group generated operating cash flow of US$6.4 million, up 113.3 % from the previous year (FY2019: US$3.0 million). Net cash generated from operating activities amounting to US$4.5 million in FY2020 (FY2019: net cash used in operating activities amounted to US$2.5 million). During FY2020, the Group paid income tax amounting to US$1.6 million (FY2019: US$1.4 million).

For investing activities, there was net cash outflow of US$1.2 million (FY2019: US$1.1 million) over the year under review. The outflow was mainly attributable to purchases of property, plant and equipment amounting to US$1.3 million (FY2019: US$2.2 million), net of the receipt of interest income of US$0.2 million and restricted bank deposits of US$0.2 million (FY2019: Receipt of interest income of US$0.4 million and decrease in loans and receivables of US$0.7 million).

For financing activities, there was a net cash outflow of US$0.7 million over the year under review (FY2019: US$3.6 million). The financing activities mainly included the net bank borrowings amounting to US$3.7 million during FY2020 (FY2019: US$1.1 million). The Group purchased its shares under Shares Purchase Mandate amounting to US$0.2 million (FY2019: US$0.6 million), and repaid lease liabilities with interest element amounting to US$1.8 million (FY2019: US$1.6 million). In addition, the Group paid a dividend of US$2.4 million for FY2020 (FY2019: US$2.5 million).





Financial and Operations Review

Key Operational Information / Data

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

	FY2020	FY019	FY2018	FY2017	FY2016
Revenue (US$mn)	83.7	61.7	38.4	59.8	59.1
Earnings before interest and Taxes (EBIT) (US$mn)	5.8	2.5	1.1	7.5	5.8
Gross floor area (sqm)	7,620	7,620	7,620	7,620*	19,096
Clean room area (sqm)	4,120	4,120	4,096	4,096*	5,416
Number of staff	88	91	95	87	114
Number of workers	612	574	502	428	556
Production capacity (units/mth)	4,000,000	4,000,000	4,000,000	4,000,000	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)

	FY2020	FY019	FY2018	FY2017	FY2016
Revenue (US$mn)	13.8	16.8	25.3	20.7	22.1
EBIT (US$mn)	1.2	0.8	0.8	1.1	0.7
Gross floor area (sqm)	5,673	5,673	5,673**	11,165#	11,245
Clean room area (sqm)	2,167	2,167	2,167**	3,687#	2,590
Number of staff	48	49	58	73	83
Number of workers	104	93	221	270	148

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)

	FY2020	FY019	FY2018	FY2017	FY2016
Revenue (US$mn)	13.2	21.2	25.2	22.1	21.1
EBIT (US$mn)	0.1	1.2	1.6	1.2	0.4
Gross floor area (sqm)	7,236	7,236	7,236	7,236	7,236
Clean room area (sqm)	827	1,091	1,091	1,091	1,091
Number of staff	107	115	128	137	138
Number of workers	174	220	255	304	318

GCY Shanghai stopped production in March 2020.

(It is based on figures as of December of each year.)

Financial and Operations Review

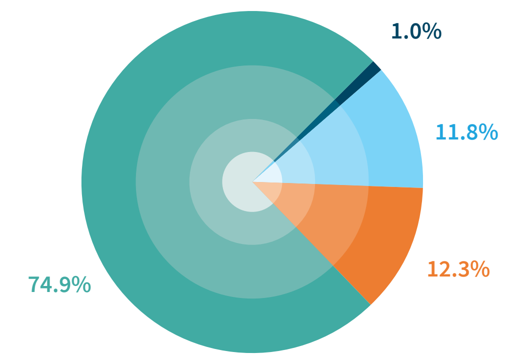
Segmental Financial Highlights

Revenue By Business Segment

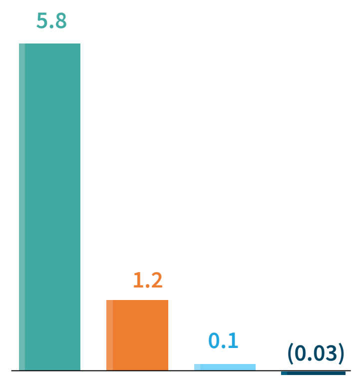
Revenue (US$mn)	FY2020	FY2019	%Change
LCD Backlight Units	**83.7**	61.7	35.7
LCD Parts and Accessories	**13.8**	16.8	(17.9)
Office Automation	**13.2**	21.2	(37.7)
Others	**1.1**	1.8	(38.9)

EBIT By Business Segment

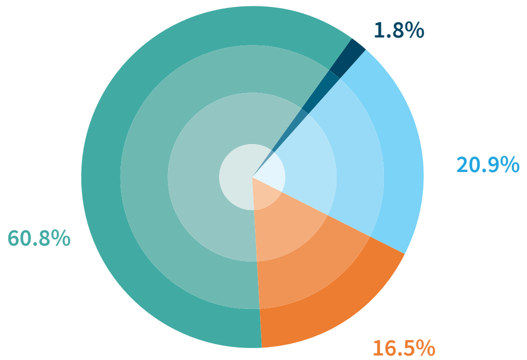
Revenue (US$mn)	FY2020	FY2019	%Change
LCD Backlight Units	**5.8**	2.5	132.0
LCD Parts and Accessories	**1.2**	0.8	50.0
Office Automation	**0.1**	1.2	(91.7)
Others	**(0.03)**	(0.2)	(85.0)



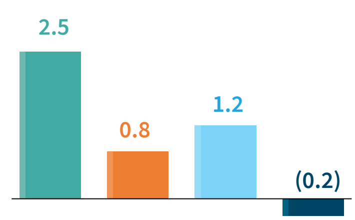
2020



2020



2019



2019

LCD Backlight Units LCD Parts and Accessories Office Automation Others

Board of Directors

YOSHIKAWA Makoto
Chairman and Chief Executive Officer
(Appointment: 1 February 2017 Last re-election: 30 June 2020)

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.

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

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 Non-executive 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.

LAI Shi Hong, Edward

Independent Non-executive Director
(Appointment: 5 August 2004   Last re-election:30 June 2020)

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 33 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.

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

MITANI Masatoshi

Independent Non-executive 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 25 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.

CHIA Seng Hee

Independent Non-executive Director
(Appointment: 1 December 2019 Last re-election: 30 June 2020)

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. Mr. Chia is currently a corporate governance practitioner. He brings to the Group significant experience in corporate governance and risk management.

He is a fellow member of 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.

Key Executive Officers

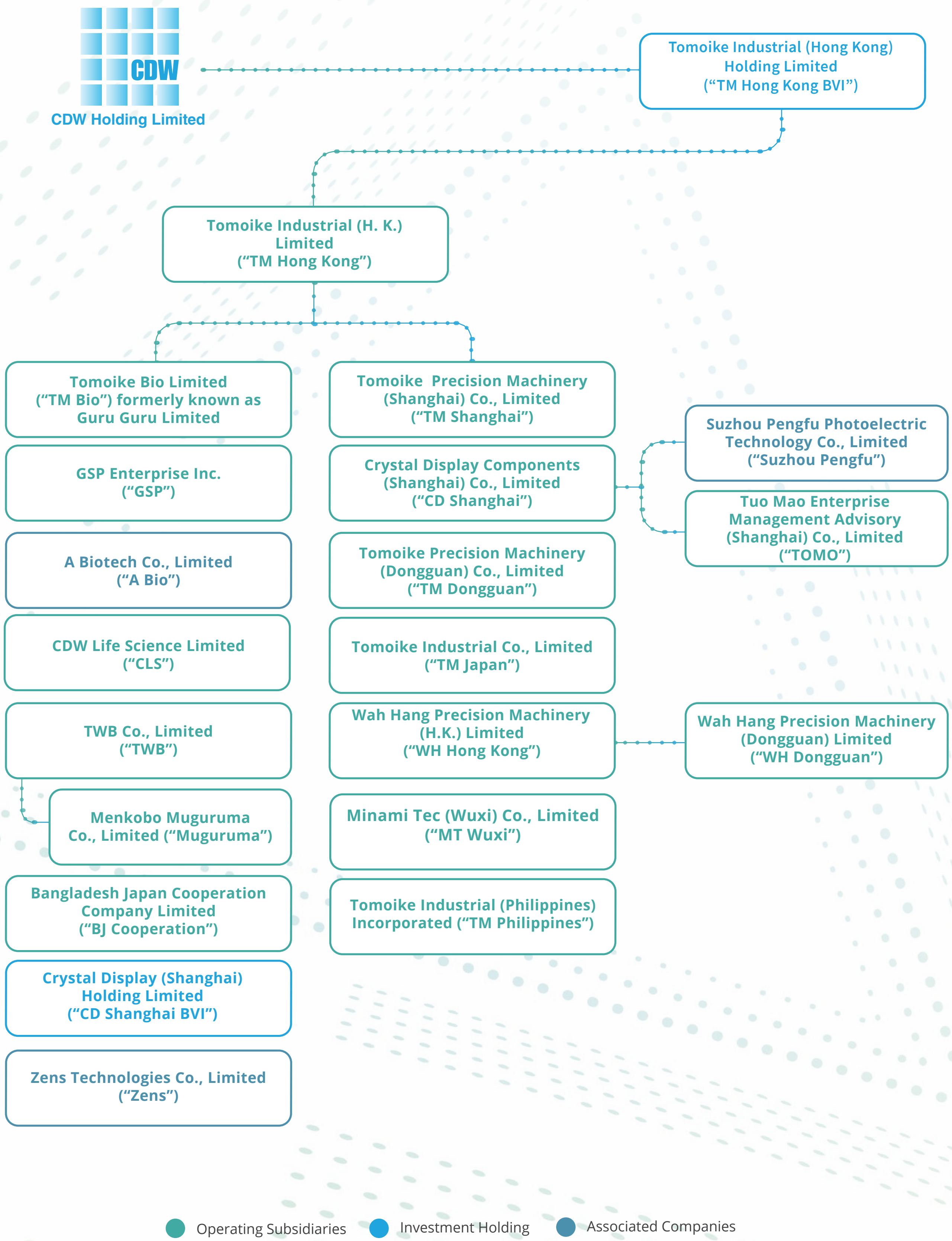
CHAN Kam Wah
Head of Operations in Southern China

Mr Chan is responsible for the overall operations in Hong Kong and Southern China. He has been the legal representative and General Manager of WH Dongguan 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 34 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



Sustainability Report

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 2020 to 31st December 2020 (the "Reporting Year"; the same Reporting Year as previous reports). As with CDW's Sustainability Report 2019, which was published in June 2020, this report is to disclose the policies, practices, and performances of the Group. CDW plans to consistently review and refine our internal data collection processes in order to expand our reporting scope in the coming years.

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 as it is the most widely used sustainability reporting standard across the world, which means that the adoption of the GRI Standards increases the comparability of CDW's disclosures with that of our peers. The disclosures in this report adhere to GRI's reporting principles which govern the quality of reporting: accuracy, balance, clarity, comparability, reliability, and timeliness.

CDW has engaged a professional consultancy, Carbon Care Asia ("CCA"), to engage our stakeholders, perform a carbon assessment and compile the report to ensure the independence, credibility and transparency of the sustainability report. Relevant topic-specific information has been included in addition to the required disclosures by GRI to enhance transparency in disclosures. For further information on the references, please 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 received endorsement from the Board of Directors on 1 April 2021.

Opinion and Feedback

CDW welcomes feedback from its stakeholders for further improvements to our sustainability performance and reporting. Please contact CDW Holding Limited through the following channels if you have any questions or feedback:

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

Sustainability Report

Board Statement

The unprecedented global impact of the Covid-19 pandemic has deepened our commitment to sustainability in multiple ways. For one, the pandemic has made clear the interconnectedness and interdependence of various stakeholder groups, such as our employees, customers, suppliers and local communities, making it critical to understand and respond to a diverse range of stakeholder concerns as they arise.

The importance of effective stakeholder engagement has long been recognised by the Board as critical and beneficial to the Group. The Board considers sustainability issues to be of paramount importance and form part of the Group's business strategy. During the Reporting Year, we once again consulted a diverse range of stakeholders for their input on the sustainability topics most material to CDW's operations. We found that environmental topics now rank higher among our stakeholders, a trend that is perhaps reflective of greater public attention on climate change and other forms of environmental degradation. The Board affirms its commitment to continuously improving its stakeholder communication to build trust and mutual understanding, even as the pandemic has disrupted many typical channels of engagement.

The pandemic, having undermined traditional modes of doing business, has also emphasised the importance of a sustainable business model and operations to ensure CDW's longevity and long-term success. This belief underpins our recognition that even amid the global health pandemic, the climate crisis continues to loom. Experts have reported the last decade as the hottest one ever recorded, and the impacts of climate change are already visible in terms of more intense and frequent extreme weather events. To this end, the Group continues to pay great attention to climate risks and impacts, and seeks to systematically reduce our environmental footprint using a range of policies, processes and technologies. The Board has the ultimate responsibility for CDW's sustainability reporting. If any issue is raised regarding CDW's sustainability reporting, the Board will strive to make sure that it is adequately addressed. We will also continue to work towards the formal establishment of a sustainability committee to improve our sustainability governance in the coming years.

With these challenges and opportunities in sight, the Group will continue to scale and advance our sustainability goals across our businesses, as we bring the Group to greater heights.

YOSHIKAWA Makoto
Chairman and Chief Executive Officer
CDW Holding Limited
Hong Kong, 1 April 2021

Sustainability Governance

Sustainability-related initiatives at CDW continue to be overseen by the Audit Committee, which was established by the Board of Directors. A designated member of the Board also has the responsibility of directing and improving the Company's sustainability governance. In addition, CDW continues to work towards the establishment of a sustainability working group among its subsidiaries, which includes the Hong Kong Office and CD Shanghai, as part of the Group's strategy to coordinate and standardise the implementation of sustainability initiatives at the Group level. CDW also maintains a range of working committees to oversee diverse sustainability issues, such as the Information Security Committee, which was established to oversee and strengthen customer privacy.

At CD Shanghai, the Deputy General Manager works closely with the Environmental Management Committee to oversee environmental impact assessments, risk management, and the execution of sustainability programmes. Similarly, the Hong Kong Office's management regularly communicates with the Board to identify environmental, social and economic issues to which CDW should respond.

The operations at CD Shanghai are accredited with ISO 9001 Quality Management, ISO 14001 Environmental Management and IATF 16949: 2016, reflecting CDW's commitment to continuously improving our processes to improve product quality and our environmental impact.

Sustainability Risks and Opportunities

To effectively identify and manage risks, CDW has established a robust Enterprise Risk Management (ERM) Framework. Our risk mitigation, opportunity identification and internal control processes are also guided by our Risk Management Policy, which outlines key risks and opportunities that require close monitoring and the individuals and departments tasked with assessing and responding to these issues. At CD Shanghai, we have also introduced additional measures to emphasise a proactive approach to identifying and mitigating risks arising from our product design and development processes, such as the Risk Management Control Procedures.

The following identified risks and opportunities are informed by the results of our stakeholder engagement activities, which showed that environment-related topics became more material to respondents in the Reporting Year.

Risks	Mitigation and Opportunities
Customer Privacy Data breaches can result in erosion of customer trust and business reputation. As CDW's daily operations involve the handling of customer and supplier data, the Group has to actively mitigate security risks.	Strengthening Data Protection The Group continues to strengthen its data protection measures, such as ensuring that employees follow standard procedures relating to the access and storage of customer data. We also keep abreast with cyber security trends to identify and arrest emerging risks.

Risks	Mitigation and Opportunities
Compliance Any lapses in regulatory compliance, whether socio-economic or environmental in nature, may result in financial and non-financial losses. These include economic penalties, loss of revenue, loss of license to operate, erosion of stakeholder trust and lawsuits.	Ethical Business Practices and Regulatory Risk Management The Group actively monitors any changes in laws and regulations that may affect our business activities. To strengthen socio-economic compliance among our employees, CDW has articulated its strong stance against bribery and corrupt practices in the Employee Handbook. We have also established a whistle-blowing policy and grievance mechanisms so that our employees may report malpractices without fear of retaliation. To strengthen CDW's environmental compliance, CD Shanghai's environmental management system is certified under ISO 14001: 2015.
Occupational Health and Safety Without proper management, our employees may be exposed to occupational hazards that may compromise employee wellbeing and productivity. In addition, highly-transmissible infectious diseases such as Covid-19 pose major health risks to our employees.	Health and Safety Protocols In response to the Covid-19 pandemic, CDW has deepened our focus on occupational health and safety. We have articulated precautionary health and safety measures such as frequent washing of hands and cleaning work spaces across the Group, in addition to our established health and safety protocols.
Labour Relations The absence of good labour relations management may negatively impact employee satisfaction and wellbeing, resulting in high turnover and operational disruptions.	Consultative Employee Practices With a large proportion of our employees covered by collective bargaining agreements, CDW is committed to regular and transparent communication to ensure that we continue to improve employee satisfaction and well-being.
Climate Change With the impacts of climate change already visible, businesses face the challenge of mitigating the growing physical and transition risks associated with the environmental crisis.	Environmental Management System CDW continues to calculate and report our carbon footprint, although emissions were not deemed a material topic by our stakeholders. The Group also seeks to steadily strengthen our measures taken to help reduce the environmental impact of our operations. To mitigate transition risks, we actively monitor the changing environmental regulatory landscape.

Stakeholder Engagement

The Group regularly communicates with our stakeholders to solicit feedback on our performance and understand the gaps that need to be filled. To identify the material sustainability topics for the Reporting Year, we commissioned a sustainability consultancy, Carbon Care Asia (CCA), to conduct a management interview and a survey. The results of the engagements were independently analysed by CCA.

The key stakeholders identified by CDW are listed below:

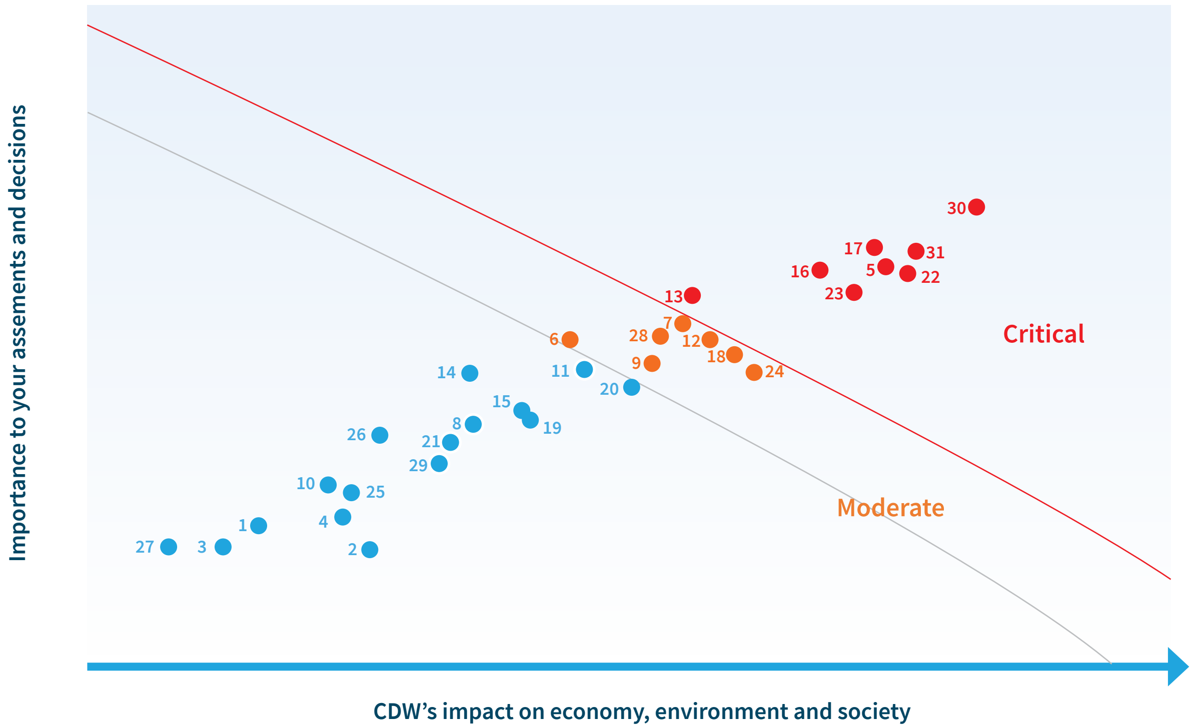
Internal Stakeholders	CDW Board of Directors
	CDW senior management
	CDW employees
External Stakeholders	Shareholders
	Investors
	Customers
	Suppliers
	Government
	Regulatory agencies
	Academic institutes
	Civil society groups
	Media
	Employees' families
	Consulting professionals

The process of determining the material topics for the Reporting Year are detailed below:

1 Identify relevant topics	2 Solicit stakeholder feedback	3 Prioritise material topics	4 Validate material topics
CCA conducted a management interview to understand CDW's sustainability strategy and identified risks and opportunities; and conducted an expert review to help CDW identify 31 relevant topics.	External and internal stakeholders are invited to participate in an online survey on sustainability topics. A total of 126 valid responses were collected (as compared to 121 in FY2019).	CCA analysed the materiality of sustainability topics and developed a materiality matrix, prioritizing the 15 most critical topics to be addressed.	The CDW Board of Directors confirmed the material sustainability topics for the Reporting Year.

Sustainability Report

2020 Materiality Matrix of CDW



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

Topics			Critical	Material
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[1]								Corresponding sections in the Report
		Within the Operations[2]			Outside the Operations[3]					
		CDW Directors	CDW Senior Management	CDW Employees	Suppliers	Customers	Professional Bodies	Shareholders/ Investors	Academic Institute	
5	Anti-corruption	☑			☑	☑		☑		Ethical Operations
6	Anti-competition	☑					☑			Ethical Operations
7	Materials	☑		☑		☑		☑		Environmental Stewardship
9	Water and effluents		☑	☑	☑			☑	☑	Environmental Stewardship
12	Waste		☑	☑	☑	☑		☑		Environmental Stewardship
13	Environmental compliance		☑	☑	☑	☑		☑		Environmental Stewardship
16	Labour/ management relations	☑	☑	☑		☑			☑	Responsible Employer
17	Occupational health and safety	☑	☑	☑		☑	☑		☑	Responsible Employer
18	Training and development		☑	☑			☑		☑	Responsible Employer
22	Child labour	☑		☑	☑	☑		☑	☑	Responsible Employer
23	Forced or compulsory labour	☑	☑	☑	☑	☑		☑	☑	Responsible Employer
24	Human rights assessment				☑	☑		☑		Responsible Employer
28	Customer health and safety			☑	☑		☑			Ethical Operations
30	Customer data protection and customer privacy			☑	☑	☑	☑	☑	☑	Ethical Operations
31	Socioeconomic compliance	☑	☑	☑			☑			Ethical Operations

1 *Unlike our 2019 Sustainability Report, CDW has not received survey responses from external stakeholder groups "Regulatory Agencies" and "Civil Society Groups/NGOs" for this year's report.*
2 *The boundary for impacts within the Operation aligns with the reporting boundary.*
3 *The boundary for impacts outside the Operation takes reference from the key external stakeholders identified for this Reporting Year.*

Identification of New Material Topics

After conducting stakeholder engagement, four new material topics are identified in this year's report. These include Anti-competition, Waste, Materials and Water and Effluents. Thusly, four material topics from last year's sustainability report are phased out: Non-discrimination, Employment system, Supplier social assessment and Diversity and Equal opportunity.

Ethical Operations

CDW upholds high standards of conducting our business activities in an ethical and responsible manner. To this end, the Group has established a range of policies and processes to ensure that our operations and value chain observe these standards.

Anti-corruption

CDW strives to foster a culture of integrity across the Group. Our Code of Business Conduct outlines the Group's expectations for all employees to fully comply with all laws and social norms to build trust among the parties with which they engage.

CDW has also articulated our zero tolerance for any unlawful or unethical behaviour, and this has informed our corporate governance mechanisms. To ensure that any such undesirable conduct is identified and addressed in a timely manner, we have established a Group-level Whistle-Blowing Policy. If improper conduct or malpractice is suspected, individuals both external and internal to the organisation may raise their concerns through formal whistle-blowing channels. The identities of whistle-blowers are kept confidential so that they may not fear retaliation.

This strong stance against corruption is also communicated through CD Shanghai's Employee Handbook, which details mechanisms to prevent and mitigate corrupt practices. For instance, the anti-corruption provision in the Employee Handbook prohibits any employee from requesting off-the-book commission rebates in business transactions with external parties.

During the Reporting Year, there were no confirmed incidents related to corruption at either CD Shanghai or the Hong Kong Office. The Hong Kong Office will look into communicating anti-corruption policies and procedures to its staff and business partners in the future.

Anti-corruption		CD Shanghai	
		Number	Percentage
Employees who anti-corruption policies and procedures have been communicated to	Senior Management	3	100%
	Middle Management	54	100%
	General Staff	616	100%
Business partners who anti-corruption policies and procedures have been communicated to	Suppliers	51	100%
	Customers	6	100%
	Banks/Professional Service Providers	3	100%
	Other business partners	0	100%
Employees who received training on anti-corruption	Senior Management	3	100%
	Middle Management	54	100%
	General Staff	616	100%

Anti-corruption	Targets for 2021
CD Shanghai	Maintain a track record of zero confirmed incidents related to corruption
Hong Kong Office	Join relevant seminars at least once a year and introduce some measures to existing employees

Anti-competition[4]
During the Reporting Year, there were no legal actions pending or completed regarding anti-competitive behaviour or violations of antitrust and monopoly legislation in which CDW has been identified as a participant.

Anti-competition	Targets for 2021
CD Shanghai	Maintain a track record of zero substantiated cases regarding anti-competitive behaviour
Hong Kong Office	

Customer health and safety
Given that CDW exists to distribute high-quality Japanese technologies worldwide, the Group constantly strives for product reliability and excellence. This focus extends to ensuring customer health and safety in the use of our products, which has been inculcated the Group's employees through training programmes on customer management (such as handling customer requests and complaints) and the handling non-conforming products.

At CD Shanghai, the management has implemented a wide range of measures to ensure product quality and safety. From material selection and procurement, to processing and manufacturing, CD Shanghai enforces high standards to guarantee that all raw materials used in its production facility are free of toxic chemicals. To this end, CD Shanghai has been certified under ISO 9001: 2015 and IATF 16949: 2016 for its quality management system. It also performs regular risk assessments relating to its manufacturing and maintenance processes, management of equipment, as well as corrective and preventive measures in dealing with non-conforming products.

In light of Covid-19, CD Shanghai additionally conducts comprehensive disinfection of the outer packaging of raw materials to be used in products. CD Shanghai employees also abide by local health and safety guidelines and regulations when visiting customers, including undergoing swab tests.

There were no confirmed incidents of non-compliance concerning the health and safety impacts of CDW products during the Reporting Year.

Customer Health & Safety	Targets for 2020	Status	Progress in 2020	Targets for 2021
CD Shanghai	Fewer than three times of customer complaints each month	Achieved	No customer complaints were made	Maintain a track record of not more than three times of customer complaints each month and work towards to zero customer complaints
	Provide relevant training to existing employees at least once a year	In progress	In the midst of developing an annual training plan	
Hong Kong Office	Administration department staff members to attend a customer health and safety related seminar	In progress	Not yet attended due to Covid-19 restrictions	Administration department staff members to attend customer health and safety related seminar

4 *Anti-competition is defined as actions that can result in collusion with potential competitors, with the purpose of limiting the effects of market competition, including monopoly practices, such as fixing prices or coordinating bids, creating market or output restrictions, imposing geographic quotas*

Customer data protection and customer privacy

In this age of digital advancement, the need to continuously strengthen data protection safeguards to ensure customer privacy is non-negotiable. This principle has been regularly affirmed and communicated to CDW's employees, including through the Group's Code of Business Conduct, which requires all employees to refrain from disclosing any confidential information to parties internal or external to the Group.

Under CDW's Information Security Policy, the Group's information security matters are overseen by the Information Security Committee and its Chairperson. The Policy also outlines the key measures that CDW undertakes to protect its information assets, including compliance with local laws and regulations, employee education and training on the prevention of and appropriate response to data breaches, among others. Additionally, CD Shanghai's Employee Handbook sets out employees' responsibility to protect their customers' privacy. Therefore, the privacy data and information of our customers, suppliers and business partners are properly safeguarded under our strict policy.

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.

Customer Privacy	Targets for 2020	Status	Progress in 2020	Targets for 2021
CD Shanghai	Maintain zero incident concerning customer privacy	Achieved	No related incidents occurred	Maintain a track record of zero incidents involving customer privacy
Hong Kong Office	Maintain zero incident concerning customer privacy Join relevant seminars at least once a year and introduce some appropriate measures to existing employees	Partially achieved	No related incidents occurred Not yet attended due to Covid-19 restrictions	Administration department staff members are to attend a customer privacy related seminar while the Hong Kong Office continues to maintain a zero-incident track record involving customer privacy

Socioeconomic compliance

As a responsible employer CDW takes compliance with all applicable laws and regulations with utmost seriousness. During the Reporting Year, there were no confirmed incidents of non-compliance with socio-economic laws that resulted in monetary or non-monetary sanctions at both CD Shanghai and the Hong Kong Office.

Socioeconomic Compliance	Targets for 2021
CD Shanghai	Zero incident of non-compliance with socioeconomic laws and regulations; monitor any changes in regulatory requirements
Hong Kong Office	

Responsible Employer

CDW recognises that our employees are our most valuable assets and are critical to the Group's ability to prosper in the long term. As such, it is of utmost importance that the Group continues to improve the sustainability of our operations and aims to centre it around the welfare of our employees. We strive to foster this same spirit in our employees to ensure that CDW's operations remain safe, positive and enriching work environments built on trust and mutual understanding.

Occupational health and safety

In response to the Covid-19 pandemic, CDW has deepened our focus on occupational health and safety. Before the pandemic, the Group had established a Risk Management Policy that contains a framework for risk management protocols relating to maintaining safety at the workplace. All employees were also provided a contact list for use in reporting emergencies such as natural disasters, infectious diseases, accidents, and other high-risk circumstances.

Safety training has also been an integral feature of CDW's occupational health and safety management system. In this respect, CD Shanghai organised occupational health and safety workshops to promote greater awareness of occupational health and safety, in which all department heads and employees subject to occupational hazards were required to attend. The workshops covered topics such as the legal rights of workers, the legal responsibilities of employers to safeguard workers' health and safety, and the 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 of CDW's safety targets and measures.

Regular safety checks are also conducted, comprising 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, among others. Once a safety risk is identified, corrective measures must be proposed and implemented speedily.

CDW's Whistle-blowing Policy also applies to the reporting of any unlawful or unethical actions that may compromise the health and safety of our employees. Employees are also encouraged to report any safety breaches with regard to places, equipment or personnel who are not under CDW's direct management control but have a direct relationship with the Group. Our employees have been briefed that they may make use of whistle-blowing channels to confidentially report such actions, and retaliation against whistle-blowers is prohibited.

At CD Shanghai, the overall occupational health and safety of employees is overseen by the Safety Management Committee, which is supported by various department heads. CD Shanghai performs regular risk assessments to ensure that safety and health risks are identified on its premises, through which risks are identified and assessed at an early stage. For instance, an investigation of hidden occupational dangers and an assessment of the management's work plan was carried out to eliminate previously unidentified dangers at the workplace and provide guidance for management on how to assess and mitigate these risks. Recognising CD Shanghai's commitment to safety, the People's Republic of China's (PRC) State Administration of Work Safety has awarded it the Certificate in Work Safety Standardisation for Light Industry.

On the other hand, the Hong Kong Office aims to maintain a safe office environment for all employees. The Hong Kong Office's management has installed the fire extinguishers and emergency exits as required by Hong Kong's Fire Service (Installations and Equipment) Regulations and regular fire and evacuation drills are performed. As required by the Employee's Compensation Ordinance, all employees and work-related activities are covered under labour insurance.

During the Reporting Year, there were no work-related injuries at either CD Shanghai or the Hong Kong Office.

Work-related Injuries

Fatalities as a result of work-related injury

High-consequence work-related injuries (excluding fatalities)

Recordable work-related injuries

CD Shanghai

Number	Rate[5]
0	0%

Hong Kong Office

Number	Rate
0	0%

5 *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).*

In addition, certain staff members are covered by medical insurance and other occupational health and safety policies. At CD Shanghai, 215 employees are covered by the PRC's National Compulsory Social Insurance and 19 employees are covered by the Employer's Liability Insurance. 9 members of CD Shanghai's senior management are also covered by the Overseas Travel Accident Insurance for Senior Management. At the Hong Kong Office, 29 employees are covered by the Group Health Insurance and 5 members of the Hong Kong Office's senior management are covered by the Overseas Travel Accident Insurance for Senior Management.

Occupational Health & Safety	Targets for 2020	Status	Progress in 2020	Targets for 2021
CD Shanghai	Continue improving the occupational health and safety management system	Achieved	Achieved the internal audit production safety certification in 2020	Continue improving the occupational health and safety management system
	Provide training opportunities on occupational health and safety for employees	Partially achieved	Provided related training for new employees	Provide training opportunities on occupational health and safety for employees
Hong Kong Office	Participate in evacuation drills conducted by office building management	Partially achieved	One of the administrative staff members joined a relevant seminar	Participate in evacuation drills conducted by office building management
	Increase the number of employees participating in the above evacuation drills	In progress	Not yet executed due to Covid-19 restrictions	Increase the number of employees participating in the above evacuation drills
				Actively encourage work-life balance among our employees and discourage overtime work; employees will have to submit applications for overtime work to the Deputy General Manager

Specific COVID-19 Pandemic H&S Protocols

In response to the Covid-19 pandemic, CDW introduced emergency health and safety measures across all entities. At their discretion, the administrative department of each entity introduced various measures such as temporary office closures, work-from-home directives, staggered shifts and split team arrangements, as well as the regular taking of temperatures in the workplace, among others.

At CD Shanghai, employees have their temperatures monitored on a daily basis. Employees who left Shanghai also provided CD Shanghai essential documents, such as their travel itinerary and swab test results, before returning to work onsite. CD Shanghai has also implemented measures such as the scheduling, registration and checking of temperature for facility visitors, including suppliers, partners and customers. CD Shanghai employees also abide by local health and safety guidelines and regulations when embarking on business trips, including undergoing swab tests.

Labour/ management relations

CDW provides a minimum of 30 days' notice to our employees and their representatives prior to the implementation of significant operational changes that could substantially affect them.

In addition, the notice period and provisions for consultation and negotiation for employees covered by collective bargaining agreements are specified in CD Shanghai's Employee Handbook.

The total number of employees covered by collective bargaining agreements at CD Shanghai are stated below:

Labour/ management relations	CD Shanghai	
	Number	Rate
Number of employees covered by collective bargaining agreements	218	32.4%

Labour/ management relations	Targets for 2021
CD Shanghai	Establish a suggestion box for on-site employees, and provide regular feedback and improvement based on the suggestions from the suggestion box
	Conduct regular employee satisfaction surveys
Hong Kong Office	Look into preparing an employee satisfaction questionnaire

Training and development

CDW's training and development strategy aims to nurture a knowledgeable and motivated workforce. In order to support employee's careers and personal development, the introduction of training and courses related to strengthening their core competencies remains critical to CDW's talent management strategy. During the Reporting Year, CD Shanghai provided its employees various types of training, such as the topics listed below. Safe distancing measures were implemented whenever training was conducted in-person.

- New employee orientation training
- Trainings related to ISO 9001/14001 and IATF 16949
- 5S workplace organisation method
- Dangerous chemical management
- Accounting training
- Client management training
- Regular assessment training
- Safety production training
- AEO certification training

Similarly, the Hong Kong Office encourages its employees to enhance their work-related skills and knowledge. The Company offers to sponsor employees' tuition fees for relevant courses, subject to management's approval.

The average number of hours of training received by the 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	9.3	1.0
	Female	16.0	5.9
	Male + Female	15.5	3.2
Average training hours by employee category	Senior Management	1.0	0
	Middle Management	2.0	1.0
	General Staff	16.7	5.6
	All Staff	15.5	3.2

CDW also conducts regular performance and career development reviews. The table below shows the number and percentage of employees who received performance reviews during the Reporting Year:

Performance and Career Development Reviews[6]		CD Shanghai[7]		Hong Kong Office	
		Number	Percentage	Number	Percentage
By gender	Male	40	71.4%	21	100.0%
	Female	194	31.4%	17	100.0%
By employee category	Senior Management	3	100.0%	4	80.0%
	Middle Management	54	100.0%	20	100.0%
	General Staff	177	28.7%	14	77.8%

Training and Education	Targets for 2020	Status	Progress in 2020	Targets for 2021
CD Shanghai	Continue to provide relevant training programmes to employees for their professional development	In progress	In the midst of developing the annual training plan	Finalise the annual training plan to provide continuous training to employees for their professional development
Hong Kong Office	Join the relevant seminars and introduce some appropriate measures to existing employees	Partially achieved	One employee participated in a course on the GRI Standards, which was sponsored by CDW	Encourage employees to join relevant seminars. Introduce appropriate measures to existing employees to encourage them to enhance their work-related skills and knowledge

[6] *Number of employees as of 1 April 2020 when performance reviews were conducted.*

[7] *In CD Shanghai, only permanent staff received performance reviews.*

Child labour

CDW strictly prohibits the employment of child labour across its operations. In particular, CD Shanghai has set out rules to prohibit the employment of anyone under the age of 16. To prevent any incidence of child labour, the Hong Kong Office's Human Resources Department requires a copy of candidates' Hong Kong Identification Card and/or Passport when they apply for job opportunities at the Hong Kong Office.

Neither the operations at CD Shanghai nor that of the Hong Kong Office involve significant risks for incidents of child labour or young workers exposed to hazardous work.

Child Labour	Targets for 2020	Status	Progress in 2020	Targets for 2021
CD Shanghai	Zero incidents of child labour, in full compliance with local laws and regulations	Achieved	There were no incidents of child labour in the Reporting Year	Maintain zero incidents of child labour, in full compliance with local laws and regulations
Hong Kong Office	Zero incidents in employing underage workers, in full compliance with local laws and regulations	Achieved	There were no incidents of child labour in the Reporting Year	Maintain zero incidents in employing underage workers, in full compliance with local laws and regulations

Forced or compulsory labour

CDW has also established policies to eliminate all forms of forced labour in its operations. Both the management at CD Shanghai and the Hong Kong office have communicated the official working hours to their employees, which have been formulated in accordance with prevailing labour laws. Work done outside these formal working hours is compensated with overtime payment.

CD Shanghai has also articulated to its employees that "forced labour of any form" and "compulsory labour imposed that endangers the health or safety of employees" are two conditions under which employees can terminate their employment contract unilaterally. In addition, employees who work overtime will be compensated with overtime payment.

Neither the operations at CD Shanghai nor that of the Hong Kong Office involve significant risks for incidents of forced or compulsory labour.

Forced or Compulsory Labour	Targets for 2020	Status	Progress in 2020	Targets for 2021
CD Shanghai	Zero incidents of forced or compulsory labour	Achieved	There were no incidents of forced or compulsory labour	Maintain zero incidents of forced or compulsory labour
Hong Kong Office	Discourage overtime work	Achieved	There were no incidents of forced or compulsory labour in the Reporting Year	Actively encourage work-life balance among our employees and discourage overtime work; employees will have to submit applications for overtime work to the Deputy General Manager

Human rights assessment

As part of the various internal audits that CDW conducts annually, the CDW Internal Audit Team plans to conduct an on-site human rights assessment at the Hong Kong Office sometime between 2022 and 2023. CD Shanghai, on the other hand, accepted a corporate social responsibility (CSR) audit conducted by one of its major customers. The audit was used to determine that CD Shanghai operates in a socially responsible manner, including ensuring that its practices uphold human rights.

Status of Other Previously-Set Targets for 2020

To remain accountable for previously-set targets, CDW has additionally disclosed the status of our FY2020 targets for the topics that were phased out as material topics in the Reporting Year.

Employment	Targets for 2020	Status	Progress in 2020
CD Shanghai	Maintain or improve employee satisfaction rate of 80% Zero incidents of discrimination	Achieved	Achieved an employee satisfaction rate of 93% There were no confirmed incidents of discrimination in the Reporting Year
Hong Kong Office	Prepare an employee satisfaction questionnaire	In progress	This target is now being moved to be considered as a 2021 target under the material topic “Labour/ management relations”

Environmental Stewardship

CDW affirms its commitment to environmental stewardship and believes that this commitment should be upheld by all our employees. The Group encourages all employees to report any operational malpractices that may harm the environment through the appropriate whistle-blowing channels.

The consideration of our operational environmental footprint has been embedded into various aspects of CDW's business. For instance, CD Shanghai established an environmental management system according to ISO 14001: 2015. It maintains a Green Procurement Management Protocol which covers both materials procured and produced by CD Shanghai as a means of ensuring timely detection and exclusion of prohibited substances. Environmental risks, such as chemical leaks, noise level, effluents, among others, are also regularly monitored. To promote resource efficiency and effective recycling, the CD Shanghai management rolled out two initiatives relating to the management of electronic waste and other non-recyclable hazardous waste.

The Hong Kong Office has similarly adopted various programmes to "green" its office. Environmental products and materials and equipment that carry energy labels are given priority during the procurement process. The Office's consumption of resources, including but not limited to electricity and water, is also closely monitored. In terms of waste management, employees are always encouraged to avoid the use of disposables as much as feasible.

Materials

CDW has put in place an Environmental Management System that monitors environmental indicators such as the generation and processing of waste across the Group's operations. To maximise the utilisation rate of raw materials and reduce waste, the Group collects waste materials at designated recycling bins for recycling in local recycling sites.

Raw Materials and Packaging Materials	Type	Category	Weight (kg)
CD Shanghai[8]	Raw materials	Non-renewable	205,607
		Renewable	769,397
	Packaging materials	Non-renewable	0
		Renewable	613,181

Water and effluents

CDW recognises the importance of conserving water and strives to improve water efficiency in our operations. To regulate proper water use, the Group's Energy and Resource Management Procedures prescribes regular water system checks and usage monitoring. The General Affairs Department conducts installation, servicing and maintenance of our water supplies system. Monthly reports on water consumption are also generated and monitored for irregularities.

In the Reporting Year, CD Shanghai's manufacturing facility used a total of 59.1 mega litres of freshwater, while the Hong Kong Office used about 0.2 mega litres of freshwater. These represent an increase in water use across both operations, and resulted from the Group-wide advisory for staff to wash their hands frequently and to increase the frequency of cleaning their workspaces in light of Covid-19. None of the water used by CD Shanghai or the Hong Kong Office was withdrawn from water stressed areas.

Water Withdrawal	Source	Category	Water withdrawn (ML)
CD Shanghai	Third-party water	Freshwater	59.1
Hong Kong Office	Third-party water	Freshwater	0.2

[8] *As the Hong Kong Office does not engage in any production activities, they do not use materials in their day-to-day operations.*

In addition, CD Shanghai's Pollution Control Procedures regulate the supervision of effluent discharge. It prohibits the storage of chemicals, oil products and wastes near the sewage pipe network, as well as the dumping of chemical wastes therein. CD Shanghai's production departments are also prohibited from discharging industrial or domestic effluents into rain water pipelines. Domestic effluents are discharged into municipal sewage treatment systems. As required in the Environmental Monitoring and Measurement Management Procedures, CD Shanghai has commissioned a qualified third-party environmental testing agency to conduct annual monitoring of the effluent discharge points.

Water and Effluents	Target for 2021
CD Shanghai	Continue to reduce freshwater withdrawals as much as feasible.

Waste

Given that the generation and treatment of both hazardous and non-hazardous waste may pose harm to the environment, CDW considers responsible waste management an important part of its operations and strictly follows national and local regulations in the handling of its waste. The Solid Waste Management Procedures of CD Shanghai prescribes practices of waste classification, collection, storage management, and outsourced treatment. Recyclable non-hazardous waste (e.g. paper products, plastic waste) are sorted and transported to a waste recycling station, which are documented in a Solid Waste Removal Record. At the Hong Kong Office, recyclable waste is collected and transported to a government-designated recycling site.

The Group's Environmental Management Committee supervises the outsourced treatment of hazardous waste. The hazardous waste collection contractor must be approved by the Environment Protection Bureau of the local government. Records of hazardous waste collection need to be kept for five years with the Environmental Management Committee. In the Reporting Year, CD Shanghai's major non-hazardous waste categories included thin films, general waste and food waste, while its hazardous waste categories included toner cartridges, fluorescent tubes, and grease trap precipitate. At the Hong Kong Office, the major non-hazardous waste categories included plastic, paper and metal, while the major hazardous waste categories included computers, printers and monitors.

Waste	CD Shanghai	Hong Kong Office
Hazardous waste (MT)	4.3	N/A
Non-hazardous waste (MT)	47.1	N/A

[9] *The Hong Kong Office does not currently measure the weight of the hazardous waste produced (2 computers, 4 printers and 4 monitors during the Reporting Year), and hence cannot disclose the data in this report. We will work towards capturing the data in future Reporting Years.*

[10] *The Hong Kong Office does not currently measure the amount of non-hazardous waste produced or recycled.*

Waste	Targets for 2020	Status	Progress in 2020	Targets for 2021
CD Shanghai	N/A	N/A	N/A	Increase the rate of recycling and reduce waste generation. Reduce electronic and manufacturing waste, such as by inventory control procedures.
Hong Kong Office	Set up new garbage collection policy in order to promote recycling	Achieved	A garbage collection policy is established	Maintain garbage collection policy in order to promote recycling

Environmental compliance

As a responsible business, CDW takes compliance with all applicable laws and regulations with utmost seriousness. CD Shanghai has designated personnel to monitor any changes to relevant environmental laws and regulations that might be applicable to its operations. When an applicable law or regulation is identified, CD Shanghai will implement relevant control measures to ensure operational compliance. CDW's focus on environmental compliance also extends to its supply chain. CD Shanghai performs supplier environmental assessments to determine if its suppliers' operations adhere to prevailing environmental regulations and standards, and whether the supplier has had any incidents of non-compliance, such as complaints from surrounding communities, fines imposed by the relevant regulatory agencies, or major leaks or fires.

During the Reporting Year, there were no cases of non-compliance with environmental laws or regulations at either CD Shanghai or the Hong Kong Office.

Environmental Compliance	Targets for 2020	Status	Progress in 2020	Targets for 2021
CD Shanghai	Continue with reduction efforts	N/A	N/A	Increase the rate of recycling and reduce waste generation
Hong Kong Office	N/A	N/A	N/A	Reduce and measure the number of recyclables collected annually

Emission

Climate change is a global problem that needs concerted effort from all parties, including businesses in different industries. CDW recognises that greenhouse gas (GHG) emissions ("carbon emissions") are contributing factors to climate change and has been working with an external sustainability consultancy, CCA, to quantify its GHG emissions through a carbon assessment.

Carbon Emissions					
Scope	Emission Source	Hong Kong office		CD Shanghai	
		Year 2020	Year 2019	Year 2020	Year 2019
Scope 1: Direct GHG Emissions[11] (tonnes CO2-e)	Combustion of fuels in stationary sources	N/A	N/A	25.4	22.7
	Combustion of fuels in mobile sources	-	-	138.3	136.1
	Fugitive emissions from refrigeration equipment[12]	6.1	3.8	102.1	102.1
	Sub-total	6.1	3.8	265.8	260.9
Scope 2: Energy Indirect GHG Emissions[13] (tonnes CO2-e)	CO2 emissions from the generation of purchased electricity	52.9	45.8	2,297.1	2,182.8
	Sub-total	52.9	45.8	2,297.1	2,182.8
Scope 2: Energy Indirect GHG Emissions[14] (tonnes CO2-e)	Business travel by air	10.1	66.0	1.6	8.1
	Freshwater[15] consumption	0.07	0.06	-	-
	Sewage	0.03	0.03	-	-
	Paper waste disposal to landfill	5.4	5.4	-	-
	Sub-total	15.6	71.5	1.6	8.1
Total GHG Emissions (tonnes CO2-e)		74.6	121.1	2,564.5	2,451.8
GHG Emissions Intensity (tonnes CO2-e per thousand units of products)		-	-	0.34	0.33
GHG Emissions Intensity (tonnes CO2-e per thousand dollar of income)		-	-	0.0044	0.0059

The carbon 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 released by the National Development and Reform Commission (NDRC) of the People's Republic of China. The GHG emissions of the Hong Kong Office and CD Shanghai are separately reported in this report in order to enable meaningful comparison of the GHG emissions of each operation with previous years' performance.

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

12 *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*

13 *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 and verification, and listing out the key emission units in the power generation industry 2019", while that of purchased electricity for the Hong Kong office is based on GHG emission factor from the CLP Sustainability Report 2019.*

14 *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 2018/19, DSD Sustainability Report 2018/19 and EMSD Guidelines respectively.*

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

In 2020, the total GHG emissions of CD Shanghai was approximately 2,564.5 tonnes CO2-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 89.6% of the total in the Reporting Year. For the Hong Kong Office, the total emissions were 74.6 tonnes CO2-e and the primary source of GHG emissions was Scope 2 energy indirect emissions, which made up 70.9% of the total emissions in the Reporting Year.

A modest increase of 4.6% was observed for the absolute GHG emissions of CD Shanghai compared to 2019. This was mainly due to the increased use of LPG (12.3%) and diesel (9.7%), associated with the increase in production time, number of employees and product deliveries due to increased business volume. Conversely, GHG emissions from business travel decreased by 80.2%, mainly due to the travel restrictions from Covid-19. There is no significant difference in the GHG emissions intensity in tonnes CO2-e per thousand units of products and in tonnes CO2-e per thousand dollars of income compared to 2019.

For the Hong Kong Office, there was a 38.4% decrease in absolute GHG emissions compared to 2019. This was mainly due to the large decrease in GHG emissions from business travel due to travel restrictions from Covid-19. GHG emissions from business travel, which made up 54.5% of the total GHG emissions in the Hong Kong office in 2019, decreased by 84.7% in absolute terms, and now makes up only 13.5% of the total GHG emissions produced by the Hong Kong Office in 2020. Energy indirect emissions also increased by 15.5% compared to 2019, as there was more overtime work in July and August 2020, with some staff coming to the office during the weekends. Emissions from freshwater consumption and sewage also increased by 11.1%, as staff were encouraged to wash hands frequently due to Covid-19.

In 2019, CDW set a target for CD Shanghai to reduce its absolute GHG emissions and GHG emissions intensity by 2% in 2020. 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 CO2-e per thousand dollars of income well exceeded the targeted value (25% vs 2%). CD Shanghai's 2021 target for reduction of its absolute GHG emissions would be by 2% and for reduction of its GHG emissions intensity (in tonnes CO2-e per thousand dollars of income) would be by 2%.

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) CD Shanghai	
	Year 2020	Year 2019
Nitrogen oxides (NOx)	617.6	654.5
Sulphur oxides (SOx)	19.2	17.8
Respirable suspended particles (RSP)	11.2	16.2

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.

In 2019, CDW set a target for its Hong Kong office to set up a new garbage collection policy in order to promote recycling. As part of the new policy's initiatives, the Hong Kong office disposed plastic, metal and paper waste every Monday from its recyclable collection box to the specified recyclable waste collection points defined by the government.

CDW is working towards further reduction of our GHG emissions through the use of more energy efficient equipment and user behavioural changes. As such, we have provided training to our employees on energy saving habits and reducing consumption of resources. CD Shanghai aims to reduce its material consumption across the design to production stage. Similarly, the Hong Kong Office has adopted energy and water saving initiatives to reduce electricity use from lights, air-conditioners and computers. The Office's environmental footprint from the use of resources such as office paper is also actively managed by implementing practices such as use of lower-weight paper, internet fax system and reuse of envelopes and folders for internal documents. In addition, the Hong Kong Office aims to reduce direct emission and pollutants to the atmosphere by only purchasing vehicles that comply with Euro 6 emission standards and through reduction of business trips.

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403-2	Hazard identification, risk assessment, and incident investigation	-	30 - 32	
403-3	Occupational health services	-	30 - 32	
403-4	Worker participation, consultation, and communication on occupational health and safety	-	30 - 32	
403-5	Worker training on occupational health and safety	-	33	
403-9	Work-related injuries	-	31	
403-10	Work-related ill health	-	31	
GRI 404: Training and Education 2016				
103	Management approach disclosures	LR711B-1 b&c	33 - 34	
404-1	Average hours of training per year per employee	-	34	
404-2a	Type and scope of programs implemented and assistance provided to upgrade employee skills	-	33 - 34	
404-3	Percentage of employees receiving regular performance and career development reviews	-	34	

Sustainability Report

Disclosure	Description	SGX	Page	Remarks
GRI 408: Child Labour 2016				
103	Management approach disclosures	LR711B-1 b&c	35	
408-1	Operations and suppliers at significant risk for incidents of child labour	-	35	
GRI 409: Forced or Compulsory Labour 2016				
103	Management approach disclosures	LR711B-1 b&c	35	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	-	35	
GRI 412: Human Rights Assessment 2016				
103	Management approach disclosures	LR711B-1 b&c	36	
412-1	Operations that have been subject to human rights reviews or impact assessments	-	36	
GRI 416: Customer Health and Safety 2016				
103	Management approach disclosures	LR711B-1 b&c	29	
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	30	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	30	
GRI 419: Socioeconomic Compliance 2016				
103	Management approach disclosures	LR711B-1 b&c	36	
419-1	Non-compliance with laws and regulations in the social and economic area	-	36	

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, as well as it has adopted the practices consistent with the intent and philosophy of the relevant principles in question within this Annual Report.

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 ended 31 December 2020 ("FY2020") 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)

During FY2020, 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 Management;

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 2020 ("SR 2020") which is set out on page 21 to page 46 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 endorsement of Executive Directors' recommendation of appointment of key management personnel ("KMP"); 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"), Risk Committee ("RIC") and Investment Committee (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.

There is a clear delineation of roles between the Board and Management, with the CEO acting as the conduit between the Board and Management in driving the success of the Company's governance and management function. 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 KMP; 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 an 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 with RIC's independent assessment on the risks associated with the allocation of resources and potential investment projects. The IC have its own TOR, which are reviewed on a regular basis.

Formal Board meetings were conducted regularly on a quarterly basis for FY2020 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. To keep pace with regulatory changes, the Company's Bye-laws allow for meetings to be conducted by way of teleconference and videoconference to facilitate participation by Board members and Management where the physical presence of the Board members and Management at such meetings would either be not feasible or cause undue delay of such meetings. 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 obtain information from Management. 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 FY2020 is set out below:

Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee		Risk Committee		Annual General Meeting
	No. of Meetings	Attended	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	4	4	1	1	1	1	4	4	1
CHONG Pheng	5	5	4	4	1	1	1	1	4	4	1
MITANI Masatoshi	5	5	4	4	1	1	1	1	–	–	1
CHIA Seng Hee	5	5	3^	3^	–	–	–	–	4	4	1

Notes:

^ Mr Chia Seng Hee was appointed as a member of the Audit Committee with effect from 26 February 2020 following the establishment of the Risk Committee and change in composition of the Board and Board Committee.

The Directors received 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 FY2020, some of the external courses attended by the Directors include:-

- Internal control and the importance of corporate governance – conducted by Hong Kong Institute of Certified Public Accountants
- Changes in listing criteria after February 2018: Implications to listing applications in Hong Kong - conducted by Hong Kong Institute of Certified Public Accountants

- Employee Share Incentive Scheme: Trends in HK Listing Market - conducted by Hong Kong Institute of Certified Public Accountants
- Hong Kong Main Board Listing Rule, company mergers and acquisitions and financial training - conducted by MCK Consulting Limited
- Internal Control and the Importance of Corporate Governance – conducted by Hong Kong Institute of Certified Public Accountants
- Transfer Pricing Documentation and Common Reporting Standard – conducted by Hong Kong Institute of Certified Public Accountants
- PRC Individual Income Tax Update and Hong Kong Certificate of Resident Status Application – conducted by Hong Kong Institute of Certified Public Accountants
- A Practical Insight on Tax Efficient Holding Structure in the Context of Common Reporting Standard – conducted by Hong Kong Institute of Certified Public Accountants
- Economic Substance Requirements in the British Virgin Islands and Cayman Islands – conducted by Hong Kong Institute of Certified Public Accountants

A newly appointed Director 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 arrange site visits for those new Director 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.

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.

All Directors have separate and independent access to Management, other KMP, independent auditors and the company secretary Ms Tan Lay Hong from 1 January to 1 December 2020 and Ms Rachel Ooi Kai Yin with effect from 1 December 2020 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 Company and 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 MITANI Masatoshi, Mr CHONG Pheng and Mr LAI Shi Hong, Edward's active participation in debating, questioning and evaluating proposals by Management and/or actions to be taken, has determined that Mr MITANI Masatoshi, Mr CHONG Pheng and Mr LAI Shi Hong, Edward has continually demonstrated strong independence in character and judgement over the years and there are no relationships or circumstances which affect or likely to affect their judgements and abilities in discharging their duties and responsibilities as Independent Directors. Their presence as independent members of the Board will ensure effective oversight on compliance and good corporate governance.

Accordingly, the NC recommends to the Board that they continue to be considered independent, notwithstanding that they have served on the Board for more than 9 years from date of their first appointments. Mr MITANI Masatoshi, Mr CHONG Pheng and Mr LAI Shi Hong, Edward, being members of the NC, abstained from any discussion and voting on the matter of their own independence.

The Board is in concurrence with the NC's assessment that Mr MITANI Masatoshi, Mr CHONG Pheng and Mr LAI Shi Hong, Edward have maintained a high standard of conduct, care and duty and have observed the ethical standards and independence.

Mr MITANI Masatoshi, Mr CHONG Pheng and Mr LAI Shi Hong, Edward, having been Independent Directors for an aggregate period of more than 9 years, their independence will be tabled for approval by shareholders via a two-tier vote at the Company's forthcoming Annual General Meeting ("AGM") pursuant to Rule 210(5)(d)(iii) which will be effective on 1 January 2022.

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 Company does not adopt the Board Diversity Policy, whereas it has embraced all aspects of diversity in the current Board composition. Although there is currently no female director appointed to the Board, the Board recognises the importance and value of gender and age diversity. However, the Board is collectively of the view that it should not be considered as a requirement of selection of potential candidate. The right blend of skills, industry knowledge, relevant experiences, suitability shall remain as priority.

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 FY2020 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. He 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, RC and RIC 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 FY2020 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, the CEO and KMP;

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 KMP. 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-laws provides that at least one-third (1/3) of the Directors shall retire from office and subject themselves to re-election by Shareholders at every AGM.

The NC 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 DY MO Hua Cheung, Philip, Mr MITANI Masatoshi and Mr CHONG Pheng following their retirement from office at the upcoming AGM pursuant to Bye-law 104. The Board has accepted the recommendation of the NC. The Board's comments on the re-election of Mr DY MO Hua Cheung, Philip, Mr MITANI Masatoshi and Mr CHONG Pheng are provided in the "Supplemental Information on Re-election of Directors" section of this Annual Report as set out on page 71 to page 79.

Each member of the NC had abstained from deliberating and voting on any resolution in respect of the assessment of his 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). As at the date of this report, none of the current Directors hold more than five (5) directorships in listed companies. 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 FY2020.

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. To ensure that the assessments were done promptly and fairly, the Board had appointed the Company Secretary to assist in collating and analysing the responses of the Directors. There is no external facilitator involved in the Board evaluation process in FY2020.

REMUNERATION MATTERS

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 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;

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

(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. The remuneration of Directors is determined at levels which enable the Company to attract and retain Directors with the relevant experience and expertise to manage the business of the Group effectively whereas the remuneration of KMP is determined at a level which enables the Group to attract, develop and retain high-performing and talented individuals with the relevant experience, level of expertise and level of responsibilities. 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 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 FY2020.

To ensure that the remuneration packages of the Company's Directors (including Non-Executive and Independent Directors) and KMP remain competitive and are in line with industry standards, the Company conducts market survey of the compensation packages of executives in similar industries or companies listed in Singapore and Hong Kong 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 Board believes in a competitive and transparent remuneration framework and the remuneration paid to the Directors and KMP for FY2020 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$482,700)	85%	8%	–	–	7%
DY MO Hua Cheung, Philip (SG$342,518)	94%	–	–	–	6%
KATO Tomonori (SG$267,000)	92%	–	–	–	8%
CHONG Pheng (SG$85,500)	–	–	94%	–	6%
LAI Shi Hong, Edward (SG$64,900)	–	–	92%	–	8%
MITANI Masatoshi (SG$64,900)	–	–	92%	–	8%
CHIA Seng Hee (SG$60,000)	–	–	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	72%	19%	–	2%	7%
Below SG$250,000					
SHINJO Kunihiko	90%	–	–	–	10%
OCHI Shinichi	100%	–	–	–	–
YAMADA Tomokazu	80%	13%	–	7%	–
WATANABE Katsuhiro	92%	8%	–	–	–
MORITA Michio	69%	23%	–	8%	–
IMAI Junya	83%	–	–	–	17%

In order not to hamper the Company's efforts to retain and nurture its talent pool and given the highly competitive conditions in the industry where poaching of KMP is commonplace, the Company is disclosing the remuneration of the KMP who are not Directors in bands of SG$250,000 and is not disclosing the aggregate total remuneration paid to the top five KMP. The total remuneration paid to the above Key Executive Officers and KMP for FY2020 was approximately SG$1,341,000.

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

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 KMP is employed, there are no termination or retirement benefits that are granted to the Directors or KMP.

Having reviewed and considered the variable components of the Executive Directors and KMP, 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 S$100,000 during the year.

Employee Share Schemes

On 22 June 2018, the Company had adopted a new share option scheme known as CDW Employee Share Option Scheme 2018 ("Share Option Scheme") and a new share performance scheme known as CDW Holding Share Performance Scheme 2018 ("Performance Scheme"). The Share Option Scheme and the Performance Scheme comply with the relevant rules as set out in Chapter 8 of Listing Rule of the SGX-ST. The Share Option Scheme and the Performance Scheme 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 Share Option Scheme and the Performance Scheme are administered by the committee comprising three (3) directors who are members of RC. Details of the Share Option Scheme and the Performance Scheme can be found in the Company's circular dated 6 June 2018.

In the financial year ended 31 December 2019, 7,250,000 shares options had been granted in August 2019 pursuant to Share Option Scheme, details of which can be found on page 145 to page 146 of this annual report. No shares options and performance shares have been granted during FY2020.

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, the Board has an oversight of the risk framework and system of internal controls in FY2020. RIC, as part of the efforts to strengthen its risk management processes and framework in overseeing the Company's risk assessment of potential investments, is 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. RIC acts as a progressive step to minimise risks and loss attributable to the proposed or potential investments. As at the date of this report, members of the RIC are Mr CHONG Pheng (Chairman of the RIC), Mr LAI Shi Hong, Edward and Mr CHIA Seng Hee. All members of the RIC are Independent Directors.

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 create Shareholders' value.

For the year under review, the Board was promptly informed of the Company's Covid-19 business continuity plan which was implemented to ensure appropriate systems and procedures within the Group to specifically address the impact of the pandemic on business operational risks. Management closely monitored developments on the Covid-19 situation within the Group and coordinated the escalation of information regarding any impact and mitigation measures to the RIC and the Board.

The Board has been working closely with Management in monitoring the challenges posed by the Covid-19 pandemic. The Board was also regularly updated on relevant legal and regulatory requirements in light of the rapidly evolving Covid-19 situation.

During the year, the AC also 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 course of the audit as well as measures taken by Management in response to these control issues and made recommendation to the Board. 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 FY2020 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 KMP 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, and 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.

The Board is of the view that all members of the AC, including the AC Chairman, bring with them invaluable and relevant managerial and professional expertise in relevant accounting and/or related financial management domain to discharge their responsibilities. The Board considers Mr LAI Shi Hong, Edward as having sufficient financial, accounting and business management knowledge to discharge his responsibilities as Chairman of the AC. Mr LAI Shi Hong, Edward is a fellow member of the Hong Kong Institute of Certified Public Accountants, Institute of Chartered Accountants in England and Wales and Association of Chartered Certified Accountants while Mr MITANI Masatoshi is a member of the Japanese Institute of Certified Public Accountants and Institute of Singapore Chartered Accountants and Mr CHIA Seng Hee is a fellow member of the Institute of Singapore Chartered Accountants. 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 statements;

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;

   (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 Rule of the SGX-ST;

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 Rule of the SGX-ST, 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 FY2020 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 FY2020, 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
<u>Impairment assessment of property, plant and equipment and right-of-use assets</u>	The AC considered the approach and methodology applied to the impairment assessment of property, plant and equipment and right-of-use assets. It reviewed the reasonableness of value in use calculations based on discounted cash flow forecasts method, the terminal growth rate, discount rate, and expected future market or economic conditions. 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 FY2020. Please refer to page 87 of this Annual Report.
<u>Impairment assessment of trade receivables</u>	The AC considered the approach and methodology applied to the impairment assessment of trade receivables. It reviewed ageing of the trade receivables, historical collection patterns, credit quality of customers and other available information concerning the creditworthiness of customers and both current and future general economic conditions. 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 FY2020. Please refer to page 87 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 in Hong Kong, a suitable audit firm to meet the Company's audit obligations on the financial statements of the Company and the Group. However, pursuant to the new regulatory regime on the enhanced rules on auditors, the Company and Ernst & Young in Hong Kong will ensure that the audit firm and audit partner are registered with the Accounting and Corporate Regulatory Authority ("ACRA") so as to ensure that audits performed will effectively be subjected to the regulatory oversight of ACRA. The Company is in compliance with Rule 712 and Rule 715 of the Listing Rule 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 FY2020 can be referred to page 126 of this Annual Report. Taking into consideration the foregoing, AC is pleased to recommend the re-appointment of the external auditors for the financial year ending 31 December 2021.

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 acknowledges the importance of lawful and ethical behaviours in all its business activities and is committed to adhere to the values of transparency, integrity, impartiality, and accountability in the conduct of its business and affairs in its workplace. 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.

In FY2019, there was a whistle blowing by a staff of the Group's associate company, A Biotech Co., Limited who invested into a South Korea incorporated company known as BlackTree Co., Limited, which triggered an investigation over the director's daily management towards the dealing of the investment. The investigation led to the removal of the director upon identification of certain malpractices. As the civil and criminal proceedings against the director are still in progress, there were no further reported incident pertaining to whistleblowing during FY2020 until the date of this Annual Report.

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 and administratively to the CEO. 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) in 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 effective, adequately resourced and has appropriate standing within the Group. Pursuant to Rule 1207(10C), the AC had assessed and is satisfied with the adequacy, effectiveness independence, scope and results of the Company's internal audit function. 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 in 2020 to perform such external quality assessment. The engagement in 2020 has been further delayed to a later date to be determined due to the unprecedented Covid-19 pandemic which resulted in several changes to the restrictions measures and strengthened quarantine imposed by the authorities as well as the declaration of a state of emergency by the Japanese government. 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 Rule of the SGX-ST.

The Company supports and encourages active shareholders participation at general meetings as general meetings serve as an opportune avenue for shareholders to meet and interact with the Board and Management. 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-laws allows (i) each Shareholder to vote in person or, appoint not more than two (2) proxies and (ii) the Depository to appoint more than two (2) proxies to attend and vote at general meetings. 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.

In light of the Covid-19 pandemic, the Company's FY2019 AGM has been convened and held by electronic means pursuant to the Covid-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 ("COVID-19 Temporary Act 2020"). Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions in advance of AGM, addressing of substantial and relevant questions at or prior to the AGM and voting by appointing the Chairman of the AGM as proxy, will be put in place for the forthcoming AGM of the Company for FY2020.

The minutes of such general meetings is prepared by the Company Secretary and approved by the Chairman. Prior to 2020, 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. However, in compliance with the COVID-19 Temporary Act 2020, the minutes of the AGM since FY2019 have been 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 final dividend for FY2020, 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 organises 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 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, 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 FY2020 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 the Company's half year result and one (1) month before the announcement of the Company's 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 Listing Rule 1207(19) of the SGX-ST.

In connection with the share buyback mandate, the Company has also put in place a share buyback policy and confirmed that it had adhered to its policy for securities transactions for FY2020.

Corporate Governance Report

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 and on normal commercial terms which will not be prejudicial to the interest of the shareholders of the Company.

The aggregate value of all interested person transactions in accordance with the Listing Rule of the SGX-ST and which are subject to Listing Rules 905 and 906 of the Listing Rule of the SGX-ST excluding transactions less than S$100,000 in value 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 Koichi - Interest on outstanding consideration of disposal of 280,000 shares of A Biotech Co., Limited	Associate of controlling shareholder	60	–
A Biotech Co., Limited - Provision of financial assistance	Associate of controlling shareholder	1,350	–
- Interest on financial assistance		39	–
Total		1,449	–

Name of Director	**DY MO Hua Cheung Philip**	**CHONG Pheng**	**MITANI Masatoshi**
Date of first appointment as a Director	28 April 2008	31 May 2011	31 May 2011
Date of last re-appointment/ re-election as a Director	30 April 2019	30 April 2019	30 April 2018
Age	59	55	47
Country of principal residence	Hong Kong	Singapore	Singapore
The Board's comments on the re-election	Mr Dy Mo Hua Cheung Philip is Chief Financial Officer and is instrumental for the overall management of the Group's financial, management reporting, treasury and compliance functions and processes. 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 Dy Mo for re-election as Executive Director.	Mr. Chong Pheng is the Lead Independent Director and has continued to discharge his duties well and continued to positively contribute to the Group. He is instrumental in assisting the Board to achieve and maintain effective corporate governance and also serves as an independent channel available to shareholders where they have concerns for which contact through normal channels of the Chairman, Chief Executive Officer or Chief Financial Officer may be inappropriate. The Board of Directors of the Company has considered, among others, the recommendation of the NC and has reviewed and considered the contribution, experience and suitability of Mr. Chong for re-election as Non-Executive and Independent Director.	Mr. Mitani Masatoshi is the Independent Director and has continued to discharge his duties well and continued to positively contribute to the Group. He is instrumental in assisting the Board to achieve and maintain effective corporate governance and also serves as an independent channel available to shareholders where they have concerns for which contact through normal channels of the Chairman, Chief Executive Officer or Chief Financial Officer may be inappropriate. 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. Mitani for re-election as Non-Executive and Independent Director.
Whether appointment is executive and if so, the area of responsibility	Executive. Mr Dy Mo is the Chief Financial Officer of the Company and he oversees the overall management of the Group's financial and management reporting, budgeting, treasury, internal control, auditing functions and accounting and compliance processes.	Non-executive	Non-executive

Supplemental Information on Re-election of Directors

PURSUANT TO LISTING RULE 720(6)

Name of Director	DY MO Hua Cheung Philip	CHONG Pheng	MITANI Masatoshi
Job title	• Chief Financial Officer • Investment Committee (Member)	• Lead Independent Director • Risk Committee (Chairman) • Nominating Committee (Member) • Audit Committee (Member) • Remuneration Committee (Member)	• Independent Director • Nominating Committee (Chairman) • Audit Committee (Member) • Remuneration Committee (Member)
Professional qualifications	• Bachelor of Commerce (Honours), University of Birmingham, UK • Member of the Hong Kong Institute of Certified Public Accountants • Member of the Institute of Chartered Accountants in England and Wales	• Bachelor of Electronic and Electrical Engineering (First Class Honours), National Defense Academy, Japan • Master of Science Degree in Defense Technology (Electronics), Cranfield University (Royal Military College of Science), England • Graduate Diploma in the Organisation Learning, Civil Service College	• Graduated from Kyoto University • Member of the Japanese Institute of Certified Public Accountants

Name of Director	DY MO Hua Cheung Philip	CHONG Pheng	MITANI Masatoshi
Working experience and occupation(s) during the past 10 years	Mr Dy Mo has more than 20 years of experience in the auditing and accounting profession. He joined as Financial Controller and Head of Administration of the Group in March 2003 and re-designated as the Chief Financial Officer on 26 February 2015.	• Director, Zhong Xing Venture Pte Ltd (From 2007 to Present) • Director, Blue Forest Echo Pte Ltd. (From 2007 to Present) • Independent non-executive Director, CMON Ltd., a listed company on GEM of the Stock Exchange of Hong Kong Limited (From Nov 2016 to Present) • Director, Wellness Pte Ltd (From Mar 2019 to Present) • Director, Sinkpia International Pte Ltd. (Struck off in Nov 2019) (From 2018 to Nov 2019) • Director of Sales and Vice President, Microlight Sensors Pte Ltd. (From December 2011 to Jan 2014) • Director, Eurock Limited (Dissolved in Nov 2015) (From 2009 to Nov 2015) • Director, Eurock Resources Pte Ltd. (Struck off in Oct 2013) (From 2010 to Oct 2013) • Director, HDJ Pte Ltd. (formerly known as Diobas Far East Pte Ltd.) (Struck off in May 2014) (From 2011 to May 2014) • Director, Eu-Pure Pte Ltd. (Struck off in Feb 2016) (From 2010 to Feb 2016) • Director, Boko Pte Ltd. (Struck off in Dec 2015) (From 2014 to Dec 2015)	• Director, SCS Global Professionals (S) Pte Ltd (From 2006 to Present)

Supplemental Information on Re-election of Directors

PURSUANT TO LISTING RULE 720(6)

Name of Director	DY MO Hua Cheung Philip	CHONG Pheng	MITANI Masatoshi
Shareholding interest in the Company and its subsidiaries	• 1,176,000 ordinary shares of the Company • 1,000,000 share options to subscribe for the Company's ordinary shares	• 250,000 share options to subscribe for the Company's ordinary shares	• 250,000 share options to subscribe for the Company's ordinary shares
Any relationship (including immediate family relationships) with any existing Director, existing executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries	No	No	No
Conflict of interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes	Yes
Other principal commitments (including directorships) – Present	• Director, Zens Technologies Co., Ltd. • Director, Uni Hope Enterprises Ltd. • Director and Owner, Autobarne Ltd.	• Director and Owner, Blue Forest Echo Pte Ltd. • Director, Zhong Xing Venture Pte Ltd. • Director, Share Taxi Pte Ltd. • Independent non-executive Director, CMON Ltd., a listed company on Mainboard of the Stock Exchange of Hong Kong Ltd. • Director, Wellness Pte Ltd	• Director, SCS Global Professionals (S) Pte Ltd

Name of Director	DY MO Hua Cheung Philip	CHONG Pheng	MITANI Masatoshi
Other principal commitments (including directorships) – Past, for the last 5 years	• Director, Innovation Works Co., Ltd. (From Sep 2014 to May 2016) • Director, Tomoike Bio Ltd. (formerly known as Guru Guru Ltd.) (From Sep 2014 to Jan 2019) • Director, S.M.T. Assembly Limited (From Aug 2010 to Aug 2020) • Director, Xing Hua Consulting Services Ltd. (From Jun 2011 to May 2020)	• Director, Eurock Limited (Dissolved in Nov 2015) (From 2009 to Nov 2015) • Director, Eu-Pure Pte Ltd. (Struck off in Feb 2016) (From 2010 to Feb 2016) • Director, HDJ Pte Ltd. (formerly known as Diobas Far East Pte Ltd.) (Struck off in May 2014) (From 2011 to May 2014) • Director, Boko Pte Ltd. (Struck off in Dec 2015) (From 2014 to Dec 2015) • Director, Sinkpia International Pte Ltd. (Struck off in Nov 2019) (From 2018 to Nov 2019)	
Disclosure on the following matters concerning the Director			
a. Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No

Supplemental Information on Re-election of Directors

PURSUANT TO LISTING RULE 720(6)

Name of Director	DY MO Hua Cheung Philip	CHONG Pheng	MITANI Masatoshi
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
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

Name of Director	DY MO Hua Cheung Philip	CHONG Pheng	MITANI Masatoshi
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
g. Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No

Supplemental Information on Re-election of Directors

PURSUANT TO LISTING RULE 720(6)

Name of Director	DY MO Hua Cheung Philip	CHONG Pheng	MITANI Masatoshi
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

Name of Director	DY MO Hua Cheung Philip	CHONG Pheng	MITANI Masatoshi
(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 2020.

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 2020 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)

In accordance with Bye-Laws 104 of the bye-laws of the Company, DY MO Hua Cheung, Philip, retire, and CHONG Pheng and MITANI Masatoshi, being eligible, offers themselves for re-election.

In accordance with Bye-Laws 210(5)(d)(iii) of the listing manual of the SGX-ST (effective from 1 January 2022), LAI Shi Hong, Edward, CHONG Pheng and MITANI Masatoshi will be tabled for shareholders' approval, having been Independent Directors for an aggregate's period of more than 9 years via a two-tier vote.

3. Arrangements to Enable Directors to Acquire Shares and Debentures

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

4. Directors' Interests in Shares and Debentures

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

Name of directors and companies in which interests are held	Direct interests At the beginning of financial year	Direct interests At the end of financial year	Deemed interests At the beginning of financial year	Deemed interests At the end of financial year
The Company				
Ordinary shares of US$0.04 each (2019: 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	500	–	–

The Company	Options to subscribe for ordinary shares At the beginning of financial year	Options to subscribe for ordinary shares At the end of financial year
YOSHIKAWA Makoto	1,500,000	1,500,000
KATO Tomonori	1,000,000	1,000,000
DY MO Hua Cheung, Philip	1,000,000	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 2021.

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 year, 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

On 22 June 2018, the Company adopted the CDW Employee Share Option Scheme 2018 (the "Share Option Scheme") which was approved by the shareholders of the Company pursuant to the resolutions passed on the same date. The Share Option 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 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 the Share Option Scheme. 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 the date of acceptance to 20 August 2024 (both days inclusive).

During the year ended 31 December 2020, 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 2020 was 7,250,000 with exercise price at S$0.14 (31 December 2019: 7,250,000 with exercise price at S$0.14).

The rules of the Share Option Scheme are set out in the Company's Circulars dated 6 June 2018. The schemes is summarised in note 23(b) to the financial statements. Qualified persons who are also the Company's controlling shareholders or their associates may not participate in the Share Option 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 Share Option Scheme comprises three directors, 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 Share Option Scheme and the Performance Scheme (as defined below) shall not exceed 15% of the issued share capital of the Company. Share options granted during the period from 1 January to 31 December 2020 and the number of outstanding share options under the Share Option Scheme is as follows:

Date of grant	Balance at 1 January 2020	Cancelled/ Lapsed	Granted	Exercised	Balance at 31 December 2020	Exercise price per share	Exercisable period
Share Option Scheme							
21 August 2019 to 27 August 2019	7,250,000	–	–	–	7,250,000	SG$0.140	21 August 2021 to 20 August 2024

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 Share Option Scheme.

There were no options granted (nor were there options granted at a discount during the financial year under review in respect of every 10% discount range, up to the maximum quantum of discount granted) to any of the Company's controlling shareholders or their associates (as defined in the Singapore Exchange Securities Trading Listing Manual).

Notes:

Details of the options to subscribe for ordinary shares of the Company granted to directors of the Company pursuant to the Share Option 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
KATO Tomonori	–	1,000,000	–	–	1,000,000
DY MO Hua Cheung, Philip	–	1,000,000	–	–	1,000,000
CHONG Pheng	–	250,000	–	–	250,000
LAI Shi Hong, Edward	–	250,000	–	–	250,000
MITANI Masatoshi	–	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 23(c) to the financial statements. The number of shares available under the Performance Scheme and the Share Option 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 2020, 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.

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

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

1 April 2021

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 2020, 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 2020 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 the *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 2020, the Group had property, plant and equipment and right-of-use assets with carrying amounts of US$6,818,000 and US$3,906,000, 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 the leases of properties, motor vehicles and machinery 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 2020 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. No impairment loss for items of property, plant and equipment and right-of-use assets was 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 the discounted cash flow forecasts for the impairment assessment.
Impairment assessment of trade receivables	
The carrying amount of the Group's net trade receivables was US$35,667,000 at 31 December 2020. Significant judgement and estimation by management are involved in the assessment of impairment, based on the lifetime expected credit losses ("ECLs") 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 amount of the trade receivables and the loss allowance for trade receivables in the year in which such estimate has been changed. A reversal of provision for expected credit losses on trade receivables of US$254,000 was recognised during the year. Related disclosures are included in notes 3 and 18 to the financial statements.	Our audit procedures included, among others, evaluating the methodologies and assumptions used by management in ECL assessment. We tested the ageing of the trade receivables on a sample basis, evaluated the historical collection patterns, and tested the 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.

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.

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

- 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, actions taken to eliminate threats or safeguards applied.

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

1 April 2021

Consolidated Statement of Profit or Loss

Year ended 31 December 2020

	Notes	Group 2020 US$'000	Group 2019 US$'000
Revenue	4	111,826	101,487
Cost of sales		(89,287)	(81,288)
Gross profit		22,539	20,199
Other income	5	1,385	2,107
Distribution costs		(3,286)	(2,200)
Administrative expenses	6	(16,721)	(18,563)
Finance costs	7	(294)	(278)
Share of losses of associates		(219)	(1,857)
Profit/(loss) before tax	8	3,404	(592)
Income tax expense	9	(1,930)	(1,277)
Profit/(loss) for the year		1,474	(1,869)
Profit/(loss) attributable to:			
Owners of the Company		1,474	(1,871)
Non-controlling interests		–	2
		1,474	(1,869)
Earnings/(loss) per share (US cent)			
Basic	10	0.66	(0.83)
Diluted	10	0.66	(0.83)

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2020

	Notes	Group 2020 US$'000	Group 2019 US$'000
Profit/(loss) for the year		1,474	(1,869)
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		1,770	36
		1,770	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	15(a)	212	(661)
Income tax effect	15(a)	(14)	139
		198	(522)
Other comprehensive income/(expense) for the year, net of tax		1,968	(486)
Total comprehensive income/(expense) for the year		3,442	(2,355)
Attributable to:			
Owners of the Company		3,442	(2,357)
Non-controlling interests		–	2
Total comprehensive income/(expense) for the year		3,442	(2,355)

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

Statements of Financial Position

As at 31 December 2020

	Notes	Group		Company	
		2020	**2019**	**2020**	**2019**
		US$'000	**US$'000**	**US$'000**	**US$'000**
ASSETS					
Non-current assets					
Property, plant and equipment	11	6,818	6,538	–	–
Right-of-use assets	12	3,906	3,447	–	–
Investments in subsidiaries	13	–	–	11,334	11,334
Amount due from a subsidiary	13	–	–	14,808	16,043
Investments in associates	14	1,598	1,881	–	–
Investments	15	1,106	829	–	–
Other assets	16	432	311	–	–
Deferred tax assets	24	187	176	–	–
Total non-current assets		14,047	13,182	26,142	27,377
Current assets					
Inventories	17	13,469	9,890	–	–
Trade and other receivables	18	38,986	34,289	65	131
Amounts due from associates	14	1,342	541	–	–
Investments	15	1,506	1,499	–	–
Pledged bank deposits	19	–	149	–	–
Cash and bank balances	19	32,996	28,466	169	170
Total current assets		88,299	74,834	234	301
TOTAL ASSETS		102,346	88,016	26,376	27,678
LIABILITIES AND EQUITY					
Current liabilities					
Income tax payable		588	545	–	–
Bank borrowings	21	10,500	9,384	–	–
Lease liabilities	12	1,721	1,499	–	–
Trade and other payables	22	31,646	22,733	191	176
Amount due to an associate	14	–	138	–	–
Total current liabilities		44,455	34,299	191	176
NET CURRENT ASSETS		43,844	40,535	43	125

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

Statements of Financial Position

As at 31 December 2020

		Group		Company	
	Notes	**2020**	**2019**	**2020**	**2019**
		US$'000	**US$'000**	**US$'000**	**US$'000**
Non-current liabilities					
Bank borrowings	21	2,750	102	–	–
Lease liabilities	12	2,277	2,013	–	–
Retirement benefit obligations	23	553	407	–	–
Deferred tax liabilities	24	711	552	–	–
Total non-current liabilities		6,291	3,074	–	–
TOTAL LIABILITIES		50,746	37,373	191	176
NET ASSETS		51,600	50,643	26,185	27,502
Equity attributable to owners of the Company					
Share capital	26	10,087	10,087	10,087	10,087
Treasury shares	26	(4,542)	(4,385)	(4,542)	(4,385)
Retained earnings		24,841	25,837	1,684	2,958
Reserves	27	21,203	19,093	18,956	18,842
		51,589	50,632	26,185	27,502
Non-controlling interests		11	11	–	–
TOTAL EQUITY		51,600	50,643	26,185	27,502
TOTAL LIABILITIES AND EQUITY		102,346	88,016	26,376	27,678

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

Statements of Changes in Equity

Year ended 31 December 2020

	Share capital	Share premium of the Company	Share capital reserve	Treasury shares	Employee share option reserve	Merger reserve
				Note 26(b)	Note 23(b)	Note 27
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
GROUP						
Balance at 1 January 2020	10,087	18,994	(193)	(4,385)	41	(7,020)
Profit for the year	–	–	–	–	–	–
Other comprehensive income 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 for the year	–	–	–	–	–	–
Shares purchased under Share Purchase Mandate and held as treasury shares	–	–	–	(157)	–	–
Share-based payment expense	–	–	–	–	114	–
Transfer	–	–	–	–	–	–
Dividends paid (Note 33)	–	–	–	–	–	–
Balance at 31 December 2020	10,087	18,994	(193)	(4,542)	155	(7,020)
Balance at 1 January 2019	10,087	18,994	(193)	(3,752)	446	(7,020)
Profit/(loss) for the year	–	–	–	–	–	–
Other comprehensive income/(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 as treasury shares	–	–	–	(633)	–	–
Share-based payment expense	–	–	–	–	41	–
Transfer	–	–	–	–	–	–
Dividends paid (Note 33)	–	–	–	–	–	–
Balance at 31 December 2019	10,087	18,994	(193)	(4,385)	41	(7,020)

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

Statements of Changes in Equity

Year ended 31 December 2020

Statutory reserve fund	Enterprise expansion fund	Other reserves	Fair value adjustment reserve	Foreign currency translation reserve	Retained earnings	Equity attributable to the owners of the Company	Non-controlling interests	Total equity
Note 27	Note 27	Note 27	Note 27	Note 27				
US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
3,946	318	1,190	(421)	2,238	25,837	50,632	11	50,643
–	–	–	–	–	1,474	1,474	–	1,474
–	–	–	–	1,770	–	1,770	–	1,770
–	–	–	198	–	–	198	–	198
–	–	–	198	1,770	1,474	3,442	–	3,442
–	–	–	–	–	–	(157)	–	(157)
–	–	–	–	–	–	114	–	114
25	–	3	–	–	(28)	–	–	–
–	–	–	–	–	(2,442)	(2,442)	–	(2,442)
3,971	318	1,193	(223)	4,008	24,841	51,589	11	51,600
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

Statements of Changes in Equity
Year ended 31 December 2020

	Share capital	Share premium	Share capital reserve	Treasury Shares	Employee share option reserve	Retained earnings	Total equity
				Note 26(b)	Note 23(b)		
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
COMPANY							
Balance 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 as treasury shares	–	–	–	(633)	–	–	(633)
Share-based payment expense	–	–	–	–	41	–	41
Dividends paid (Note 33)	–	–	–	–	–	(2,487)	(2,487)
Balance at 31 December 2019 and 1 January 2020	10,087	18,994	(193)	(4,385)	41	2,958	27,502
Profit for the year and total comprehensive income for the year	–	–	–	–	–	1,168	1,168
Shares purchased under Share Purchase Mandate and held as treasury shares	–	–	–	(157)	–	–	(157)
Share-based payment expense	–	–	–	–	114	–	114
Dividends paid (Note 33)	–	–	–	–	–	(2,442)	(2,442)
Balance at 31 December 2020	10,087	18,994	(193)	(4,542)	155	1,684	26,185

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

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	Group 2020 US$'000	Group 2019 US$'000
Operating Activities			
Profit/(loss) before tax		3,404	(592)
Adjustments for:			
Interest income	5	(160)	(422)
Finance costs	7	294	278
Net loss on disposal of property, plant and equipment	8	78	40
Loss/(gain) on termination of lease contracts	8	(1)	25
Reversal of impairment of property, plant and equipment	8	–	(53)
Reversal of impairment of right-of-use assets	5	–	(977)
Increase/(decrease) in provision for inventories	8	(385)	133
Depreciation of property, plant and equipment	11	1,253	1,410
Depreciation of right-of-use assets	12	1,691	948
Share of losses of associates	14	219	1,857
Gain on deemed disposal of an associate	5	–	(158)
Share-based payment expense	28	114	41
Gain on disposal of subsidiaries	25	(4)	–
Retirement benefit obligations	23(a)	120	81
Provision for/(reversal of provision for) expected credit losses on trade receivables, net	8	(254)	359
Provision for expected credit losses on an amount due from an associate	8	21	–
Operating cash flows before movements in working capital		6,390	2,970
Changes in working capital:			
Trade and other receivables		(3,925)	(5,437)
Amounts due to/from associates		(957)	(165)
Inventories		(3,194)	133
Trade and other payables		7,974	1,510
Cash generated from/(used in) operations		6,288	(989)
Net income tax paid		(1,627)	(1,400)
Interest paid		(144)	(133)
Net cash from/(used in) operating activities		4,517	(2,522)

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

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	Group 2020 US$'000	Group 2019 US$'000
Investing Activities			
Proceeds from disposal of property, plant and equipment		95	14
Purchase of property, plant and equipment		(1,333)	(2,159)
Increase in other assets		(103)	(35)
Decrease/(increase) in loans and receivables		–	701
Additional investment in equity investment designated at fair value through other comprehensive income		(11)	(12)
Interest income received		160	422
Withdrawal of restricted bank deposits		149	–
Disposal of subsidiaries	25	2	–
Increase in time deposit with original maturity of over three months		(169)	–
Net cash used in investing activities		(1,210)	(1,069)
Financing Activities			
Payment for share buyback		(157)	(633)
Proceeds from bank borrowings	34	20,634	25,760
Repayment of bank borrowings	34	(16,870)	(24,662)
Repayment of principal portion of lease liabilities	34	(1,675)	(1,413)
Repayment of interest element on lease liabilities	34	(150)	(145)
Dividends paid	33	(2,442)	(2,487)
Net cash used in financing activities		(660)	(3,580)
Net increase/(decrease) in cash and cash equivalents		2,647	(7,171)
Net effect of currency translation differences		1,714	172
Cash and cash equivalents at 1 January		28,466	35,465
Cash and cash equivalents at 31 December	19	32,827	28,466
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALANTS			
Cash at banks and on hand	19	30,550	17,832
Short-term deposits	19	2,277	10,783
Non-pledged time deposits with original maturity of over three months	19	169	–
Pledged bank deposit	19	–	(149)
Cash and cash eqivalents as stated in the consolidated statement of financial position		32,996	28,466
Less: Non-pledged time deposit with original maturity of over three months	19	(169)	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		32,827	28,466

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 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 13 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION - The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

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

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

CHANGES IN ACCOUNTING POLICIES - The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised standards for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

Conceptual Framework for Financial Reporting 2018 (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CHANGES IN ACCOUNTING POLICIES (continued)

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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions arising as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

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, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

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	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform - Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3,5]
Amendments to IAS 1	*Disclosure of Accounting Policies and Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the Conceptual Framework issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is 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, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness.

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

STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank borrowings denominated in United States dollars based on mutually agreed floating rates between the Group and the banks as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

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.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRSs 2018-2020 Cycle sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF CONSOLIDATION (continued)

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

- 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.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, other than construction in progress, 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT (continued)

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.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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.

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.

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

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Subsequent measurement (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERECOGNITION OF FINANCIAL ASSETS (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

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.

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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 23(b) and 23(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

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 lease. 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 (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.

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.

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 with 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.

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

REVENUE RECOGNITION (continued)

Sale of industrial products (continued)
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) from 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).

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

Current tax

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAXES (continued)

Deferred tax

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

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

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

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and 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.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAXES (continued)

Sales tax

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

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

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

GOVERNMENT GRANTS - Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

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 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

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

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

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

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

    (ii) has significant influence over the Group; or

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

or

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

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

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

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

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

RELATED PARTIES (continued)

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

(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.

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 2020 amounted to US$288,000 (2019: US$656,000) and the carrying amount of inventories is disclosed in note 17 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

Impairment of investments in subsidiaries

Where there are indicators of potential impairment of investments in subsidiaries, management projects the cash flows of these subsidiaries and estimates the recoverable amount by discounting the projected cash flows and terminal value to present value. Any change in such projections and estimates can result in changes to the allowance for impairment loss in future periods. The carrying amount of the investments in subsidiaries of the Company is disclosed in note 13 to the financial statements. No impairment loss was recognised for the years ended 31 December 2020 and 2019.

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 14 to the financial statements. At 31 December 2020, no impairment loss (2019: Nil) has been recognised for the investments in associates and the carrying amount of the investments in associates was US$1,598,000 (2019: US$1,881,000).

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 18 to the financial statements.

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. There was no impairment recognised for the year ended 31 December 2020. For the year ended 31 December 2019, reversal of impairment of US$53,000 and reversal of impairment of US$977,000 were recognised for property, plant and equipment and right-of-use assets, respectively.

4. REVENUE

An analysis of revenue is as follows:

	2020 US$'000	2019 US$'000
Revenue from contracts with customers		
LCD backlight units	83,664	61,744
LCD parts and accessories	13,840	16,817
Office automation	13,177	21,179
Others	1,145	1,747
	111,826	101,487

Revenue from contracts with customers

(i) Disaggregated revenue information

	LCD backlight units US$'000	LCD parts and accessories US$'000	Office automation US$'000	Others US$'000	2020 US$'000
For the year ended 31 December 2020					
Segment					
Sale of goods	83,664	13,840	13,177	1,145	111,826
Geographical markets					
Mainland China	67,564	9,299	4,377	–	81,240
Hong Kong	6,154	2,230	3,628	–	12,012
Japan	9,946	2,213	4,957	1,145	18,261
Others	–	98	215	–	313
	83,664	13,840	13,177	1,145	111,826
Timing of revenue recognition					
Goods transferred at a point in time	83,664	13,840	13,177	1,145	111,826

4. REVENUE (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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

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$'000	LCD parts and accessories US$'000	Office automation US$'000	Others US$'000	2020 US$'000
For the year ended 31 December 2020					
Segment					
Revenue from contracts with customers					
External customers	83,664	13,840	13,177	1,145	111,826
Intersegment sales	–	1,008	410	–	1,418
	83,664	14,848	13,587	1,145	113,244
Intersegment adjustments and eliminations	–	(1,008)	(410)	–	(1,418)
	83,664	13,840	13,177	1,145	111,826

4. REVENUE (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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

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:

	2020 US$'000	2019 US$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
LCD parts and accessories	–	344

(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 (2019: 30 to 150 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 2020 US$'000	Group 2019 US$'000
Interest income	160	422
Gain on disposal of property, plant and equipment	3	11
Gain on disposal of subsidiaries (Note 25)	4	–
Gain on deemed disposal of an associate	–	158
Compensation from government	313	177
Reversal of impairment of property, plant and equipment (Note 11)	–	53
Reversal of impairment of right-of-use assets (Note 12)	–	977
Reversal of provision for expected credit loss on trade receivables	254	–
Sundry income	651	309
	1,385	2,107

6. ADMINISTRATIVE EXPENSES

	Group 2020 US$'000	Group 2019 US$'000
Employee-related expenses	9,946	11,023
Travelling and entertainment expenses	841	1,367
Professional fees	2,074	1,458
Short-term lease expenses	375	648
Utilities and office expenses	836	931
Depreciation of property, plant and equipment	317	321
Depreciation of right-of-use assets	953	737
Expected credit losses on trade receivables	–	359
Expected credit losses on an amount due from an associate	21	–
Development expenses	–	861
Loss on disposal of property, plant and equipment	81	51
Loss on termination of lease contracts	–	25
Foreign exchange loss	937	457
Miscellaneous	340	325
	16,721	18,563

7. FINANCE COSTS

	Group	
	2020	2019
	US$'000	US$'000
Interest expenses on:		
Bank borrowings	144	133
Lease liabilities	150	145
	294	278

8. PROFIT/(LOSS) BEFORE TAX

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

	Group	
	2020	2019
	US$'000	US$'000
Audit fees paid to:		
Auditor of the Company	329	271
Other auditors	194	226
Non-audit fees paid to:		
Auditor of the Company	5	9
Other auditors	15	17
Employee benefit expenses (Note 23)	21,636	22,685
Depreciation of property, plant and equipment (Note 11)	1,253	1,410
Depreciation of right-of-use assets (Note 12)	1,691	948
Increase/(decrease) in provision for inventories (Note 17)	(385)	133
Inventories recognised as an expense in cost of sales (Note 17)	89,287	81,288
Net loss on disposal of property, plant and equipment	78	40
Loss/(gain) on termination of lease contracts	(1)	25
Net foreign exchange loss	542	310
Reversal of impairment of property, plant and equipment (Note 11)	–	(53)
Reversal of impairment of right-of-use assets (Note 12)	–	(977)
Expected credit losses of trade receivables (Note 18)	–	359
Reversal of provision for expected credit losses on trade receivables (Note 18)	(254)	–
Expected credit losses on an amount due from an associate (Noted 14(b))	21	–
Gain on disposal of subsidiaries (Note 25)	(4)	–

9. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

	Group	
	2020	**2019**
	US$'000	**US$'000**
Current income tax	1,796	1,110
Deferred tax (Note 24)	134	167
	1,930	1,277

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 2020 and 2019 is as follows:

	Group	
	2020	**2019**
	US$'000	**US$'000**
Profit/(loss) before tax	3,404	(592)
Tax at the domestic rates applicable to profits in the countries where the Group operates	1,993	301
Adjustments:		
Non-deductible expenses	437	537
Income not subject to taxation	(909)	(256)
Tax losses not recognised	327	406
Effect of withholding tax at 5% on the undistributed earnings of the PRC subsidiaries (Note 24)	114	113
Withholding tax on dividend received from subsidiaries	27	–
Others	(59)	176
Income tax expense recognised in profit or loss	1,930	1,277

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 2020:

	2020 **US$'000**
Profit attributable to owners of the Company	1,474

	Number of shares '000
Weighted average number of ordinary shares for the basic earnings per share computation*	222,115
Effect of dilutive share options	190
Weighted average number of ordinary shares for the diluted earnings per share computation*	222,305

* 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 26).

The calculation of the basic loss per share amount for the year ended 31 December 2019 was 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 excluded treasury shares which had been purchased on the SGX-ST under the Share Purchase Mandate (Note 26(b)) during the year.

No adjustment had been made to the basic loss per share amount 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 amount presented.

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Construction in progress US$'000	Total US$'000
GROUP							
Cost							
At 1 January 2019	2,262	7,839	11,460	2,299	742	–	24,602
Additions	–	600	550	106	41	862	2,159
Disposals	–	(1,801)	(73)	(199)	(112)	–	(2,185)
Exchange differences	35	(57)	(139)	(8)	(7)	–	(176)
At 31 December 2019 and 1 January 2020	2,297	6,581	11,798	2,198	664	862	24,400
Additions	–	72	885	72	68	236	1,333
Disposals	–	(171)	(420)	(134)	(24)	–	(749)
Transfer	–	55	389	(40)	–	(404)	–
Exchange differences	129	388	692	110	35	35	1,389
At 31 December 2020	2,426	6,925	13,344	2,206	743	729	26,373
Accumulated depreciation and impairment loss							
At 1 January 2019	630	6,894	8,910	1,803	560	–	18,797
Depreciation	43	559	610	142	56	–	1,410
Disposals	–	(1,771)	(61)	(193)	(106)	–	(2,131)
Reversal of impairment	–	–	(52)	–	(1)	–	(53)
Exchange differences	7	(55)	(101)	(7)	(5)	–	(161)
At 31 December 2019 and 1 January 2020	680	5,627	9,306	1,745	504	–	17,862
Depreciation	48	341	687	119	58	–	1,253
Disposals	–	(167)	(266)	(121)	(22)	–	(576)
Transfer	–	49	(10)	(39)	–	–	–
Exchange differences	42	366	491	91	26	–	1,016
At 31 December 2020	770	6,216	10,208	1,795	566	–	19,555
GROUP							
Net carrying amount							
At 31 December 2019	1,617	954	2,492	453	160	862	6,538
At 31 December 2020	1,656	709	3,136	411	177	729	6,818

11. PROPERTY, PLANT AND EQUIPMENT (continued)

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, representing the recovery of certain items of property, plant and equipment to the recoverable amount, was recognised in "Other income" (Note 5) 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. 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 ranged from 12% to 13.5% and terminal growth rates ranged from 2.5% to 3%. Changes in any or all of the key assumptions could result in a material change in the carrying amount of property, plant and equipment.

During the year ended 31 December 2020, the Group carried out a review of the recoverable amounts of its items of property, plant and equipment and no impairment was noted.

12. LEASES

Group as a lessee

The Group has lease contracts for various items of properties, 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:

	Leased properties	**Motor vehicles and machineries**	**Total**
	US$'000	**US$'000**	**US$'000**
At 1 January 2019	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	–
At 31 December 2019 and 1 January 2020	3,357	90	3,447
Additions	2,018	7	2,025
Termination of contracts	(77)	–	(77)
Depreciation charge	(1,664)	(27)	(1,691)
Exchange realignment	199	3	202
As at 31 December 2020	3,833	73	3,906

12. LEASES (continued)

Group as a lessee (continued)

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

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 ranged from 12% to 13.5% and terminal growth rates ranged from 2.5% to 3%.

During the year ended 31 December 2020, the Group carried out a review of the recoverable amounts of its right-of-use assets and no impairment was noted.

(b) Lease liabilities

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

	Lease liabilities	
	2020 **US$'000**	**2019** **US$'000**
At the beginning of the year	3,512	2,281
New leases	2,025	2,758
Termination of contracts	(78)	(75)
Interest expenses	150	145
Principal portion of lease payment	(1,675)	(1,413)
Interest element on lease liabilities	(150)	(145)
Exchange realignment	214	(39)
At the end of the year	3,998	3,512
Analysed into:		
Current portion	1,721	1,499
Non-current portion	2,277	2,013

The maturity analysis of lease liabilities is disclosed in note 30 to the financial statements.

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

	2020 **US$'000**	**2019** **US$'000**
Interest on lease liabilities	150	145
Depreciation charge of right-of-use assets	1,691	948
Expense related to short-term leases (included in administrative expenses)	375	648
Loss/(gain) on termination of lease contracts	(1)	25
Reversal of impairment of right-of-use assets	–	(977)
Total amount recognised in profit or loss	2,215	789

13. INVESTMENTS IN SUBSIDIARIES

(a)

	Company	
	2020	2019
	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$14,808,000 (2019: US$16,043,000) included in the Company's non-current assets is unsecured, bears interest at 2% (2019: 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$14,808,000 (2019: US$16,043,000). Given there was no history of default in prior years, management considered that the default rate of financial assets and the expected credit loss rate were minimal.

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

Name	Place of incorporation/ establishment	Principal activities	Proportion of ownership interest	
			2020	2019
			%	%
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

13. **INVESTMENTS IN SUBSIDIARIES** (continued)

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

Name	Place of incorporation/ establishment	Principal activities	Proportion of ownership interest	
			2020	2019
			%	%
Held by TM Hong Kong (continued)				
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) (v) ("SMT Hong Kong")	Hong Kong	Provision of surface mounting technique services in electronic product assembly	–	100.0
Minami Tec (Wuxi) Co., Limited (ii) ("MT Wuxi")	Wuxi, PRC	Provision of plastic injection for electronic consumer products and automobiles	100.0	100.0
Crystal Display Components (Shanghai) Co., Limited (ii) ("CD Shanghai")	Shanghai, PRC	Manufacture of LCD backlight units for LCD modules	100.0	100.0
Tomoike Precision Machinery (Dongguan) Co., Limited (ii) ("TM Dongguan")	Dongguan, PRC	Manufacture and trading of parts and precision accessories for LCD modules and manufacture of LCD backlight units for LCD modules	100.0	100.0
Tomoike Bio Limited (ii) ("TM Bio")	Hong Kong	General trading	100.0	100.0
TWB Co., Limited (i) ("TWB")	Osaka, Japan	Provision of food and beverage	99.9	99.9

13. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name	Place of incorporation/ establishment	Principal activities	Proportion of ownership interest 2020 %	Proportion of ownership interest 2019 %
Held by TM Hong Kong (continued)				
CDW Life Science Limited (i) ("CLS")	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) ("GSP")	Osaka, Japan	Provision of Bio-Tech related research and development	95.0	95.0
Tomoike Industrial (Philippines) Incorporated (i) (iii) ("TM Philippines")	Philippines	Manufacture, processing and assembly of printed circuit board, mobile payment device, niche precision components and insulating materials	100.0	100.0
Held by TM Hong Kong and TM Bio				
Bangladesh Japan Cooperation Company Limited (i) ("BJ Cooperation")	Bangladesh	Liaison office, general trading and other businesses	100.0	100.0
Held by WH Hong Kong				
Wah Hang Precision Machinery (Dongguan) Limited (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) (v) ("SMT Dongguan")	Dongguan, PRC	Provision of surface mounting technique services in electronic product assembly	–	100.0
Held by TM Shanghai				
Shanghai Gu Chang Yu Printing Technology Co., Limited (ii) (iv) ("GCY Shanghai")	Shanghai, PRC	Provision of label printing services	–	100.0

13. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name	Place of incorporation/ establishment	Principal activities	Proportion of ownership interest 2020 %	2019 %
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) Incorporated during the financial year ended 31 December 2019

(iv) Dissolved during the financial year ended 31 December 2020

(v) Disposed of during the financial year ended 31 December 2020

14. INVESTMENTS IN ASSOCIATES

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

	Group 2020 US$'000	Group 2019 US$'000
Share of net assets	(61)	158
Goodwill on acquisition	3,245	3,245
	3,184	3,403
Less: Impairment loss	(1,522)	(1,522)
Exchange differences	(64)	–
	1,598	1,881

The investment in Suzhou Pengfu Photoelectric Technology Co., Limited ("Suzhou Pengfu") was fully impaired in prior years due to minimal recoverable amount for Suzhou Pengfu after the consecutive years of loss made since incorporation.

14. INVESTMENTS IN ASSOCIATES (continued)

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

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

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 2020 and 2019 for impairment assessment of the Group's 48.5% equity interest in A Bio. The valuations were based on comparable company analysis with reference to the share transactions occurred with necessary market adjustments. No impairment indicator was noted for the Group's 48.5% equity interest in A Bio as at 31 December 2020 and 2019 based on the respective valuation as at 31 December 2020 and 2019.

Particulars of the associates are as follows:

Name	**Registered share capital held**	**Place of establishment**	**Principal activity**	**Proportion of ownership interest**	
				2020	**2019**
				%	**%**
Suzhou Pengfu (i)	RMB 1,080,000	Suzhou, PRC	Manufacture 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 manufacturing and sale and provision of service	48.5%	48.5%

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

14. INVESTMENTS IN ASSOCIATES (continued)

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

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

	2020 US$'000	2019 US$'000
Share of the associates' loss for the year	(219)	(1,857)
Share of the associates' total comprehensive expense	(219)	(1,857)
Aggregate carrying amount of the Group's investments in the associates	1,598	1,881

(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)

	Group	
	2020 US$'000	2019 US$'000
Amount due from an associate	1,363	541
Allowance for expected credit loss	(21)	–
	1,342	541

The amounts due from/to associates are unsecured, bearing interest at a rate of the US dollar best lending rate plus 1% and are repayable within 12 months from the end of the reporting period.

During the year ended 31 December 2020, the expected credit loss on the amount due from an associate, A Bio, was assessed with reference to the probability of default rate in the biotechnology industry and the average corporate debt recovery rates in the market. The allowance for the loss is adjusted to reflect the current conditions and forecasts of future economic conditions. As such, the Group provided an allowance for ECLs of US$21,000 (2019: minimal) as at 31 December 2020.

15. INVESTMENTS

		Group	
		2020	2019
	Notes	US$'000	US$'000
Non-current:			
Equity investments designated at fair value through other comprehensive income			
Listed equity investment at fair value Sharp Corporation ("Sharp")	(a)	116	103
Unlisted equity investment at fair value LGM Co., Limited ("LGM")	(a)	990	726
		1,106	829
Current:			
Loans and receivables, at amortised cost	(b)	1,506	1,499

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 2020, an aggregate fair value gain of US$212,000 (2019: aggregate fair value loss of US$661,000) and deferred tax impact of US$14,000 (2019: US$139,000) were recognised in other comprehensive income.

(b) Upon the Group's disposal of certain equity interest in A Bio to an associated person of the Group's controlling shareholder (the "Buyer") at a 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 the 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 balance of US$2,133,000, with a pledge of a property (the "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.

In 2020, 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$1,506,000 to 31 December 2020, bearing interest at a rate of the US dollar best lending rate plus 1%, with a pledge of the Property as collateral. Details of the Property was set out in the Company's announcement dated 3 June 2020.

Subsequently to 31 December 2020, there is a signed letter of confirm and it is agreed to sell the Property in order to repay the loan. Under this condition, the Group will take foreclosure of the collateral if the Property remains unsold after 1 September 2021.

15. INVESTMENTS (continued)

Notes: (continued)

(b) (continued)

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

	Group	
	2020	**2019**
	US$'000	**US$'000**
Korean Won	2,496	2,225

16. OTHER ASSETS

	Group	
	2020	**2019**
	US$'000	**US$'000**
Directors' insurance	75	52
Rental and utility deposits	357	259
	432	311

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.

17. INVENTORIES

	Group	
	2020	**2019**
	US$'000	**US$'000**
Consolidated statement of financial position:		
Raw materials	7,602	3,354
Work-in-progress	378	273
Finished goods	5,489	6,263
	13,469	9,890
Consolidated statement of profit or loss:		
Inventories recognised as an expense in cost of sales	89,287	81,288
Increase/(decrease) in provision for inventories included in cost of sales	(385)	133

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

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020	2019	2020	2019
	US$'000	US$'000	US$'000	US$'000
Trade receivables	35,778	32,294	–	–
Other receivables	705	831	34	31
Prepayments	1,918	997	31	100
Value-added tax recoverable	541	267	–	–
Deposits	155	257	–	–
	39,097	34,646	65	131
Allowance for expected credit losses				
- Trade receivables	(111)	(357)	–	–
	38,986	34,289	65	131

Trade receivables

Trade receivables are non-interest-bearing and are generally on terms ranging from 30 to 150 days (2019: 30 to 150 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	
	2020	2019
	US$'000	US$'000
US$	28,134	24,838
Renminbi ("RMB")	–	2
Singapore Dollars ("SG$")	34	100

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

	2020	2019
	US$'000	US$'000
At beginning of year	357	–
Provision for/(reversal of provision for) expected credit losses (Note 8)	(254)	359
Exchange realignment	8	(2)
	111	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 2020 which 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 made a provision for ECLs of US$111,000 (2019: US$357,000) as at 31 December 2020.

18. 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:

31 December 2020		Overdue			
	Current	0 to 30 days	31 to 60 days	Over 60 days	Total
Expected credit loss rate	0.28%	1.3%	1.3%	38.5%	0.3%
Gross carrying amount (US$'000)	34,858	914	1	5	35,778
Expected credit losses (US$'000)	97	12	–	2	111

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

19. CASH AND BANK BALANCES

	Group		Company	
	2020	2019	2020	2019
	US$'000	US$'000	US$'000	US$'000
Cash at banks and on hand	30,550	17,832	169	170
Short-term deposits	2,277	10,783	–	–
Time deposit with original maturity of over three months	169	–	–	–
	32,996	28,615	169	170
Less: Pledged bank deposit	–	(149)	–	–
	32,996	28,466	169	170

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 time deposit with original maturity of over three months.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between 30 days to 180 days (2019: 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 2020 for the Group was 0.2% (2019: 1.8%) per annum.

No fixed deposit was placed at 31 December 2020. As at 31 December 2019, a fixed deposit of US$149,000 was placed as security for bank facilities and earned interest at an average rate of 0.9% per annum and matured in 9 months after the end of the reporting period.

19. CASH AND BANK BALANCES (continued)

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

	Group	
	2020	**2019**
	US$'000	**US$'000**
JPY	179	450
US$	15,694	12,852
RMB	15	1,109
SG$	166	132

20. GOODWILL

	Group
	US$'000
Cost	
As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	1,632
Accumulated impairment	
As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	(1,632)
Net carrying amount	
As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	–

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. Full impairment on the goodwill was made in prior years.

21. BANK BORROWINGS

		Group	
	Maturity	**2020**	**2019**
		US$'000	**US$'000**
Current:			
Bank borrowings, unsecured	2021 (2019: 2020)	2,650	9,384
Bank borrowings, unsecured	On demand	7,850	–
		10,500	9,384
Non-current:			
Bank borrowings, unsecured	2024 (2019: 2023)	2,750	102
Total bank borrowings		13,250	9,486

21. BANK BORROWINGS (continued)

The bank borrowings on demand have maturity of less than one year.

The bank borrowings are unsecured and bear interest at rates ranging from 0.65% to 2.75% (2019: 0.28% to 4.25%) per annum.

Bank borrowings amounting to US$9,500,000 (2019: US$8,850,000) are unsecured and carry variable interest rates quoted by the banks with reference to their cost of fund.

Bank borrowings amounting to US$3,750,000 (2019: US$636,000) are unsecured and carry fixed interest rates.

Management considered the fair value of the Group's fixed rate bank borrowings is US$3,842,000 (2019: US$637,000).

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

	Group	
	2020	2019
	US$'000	US$'000
US$	13,250	9,486

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2020	2019	2020	2019
	US$'000	US$'000	US$'000	US$'000
Trade payables	27,809	19,385	–	–
Other payables	2,714	2,351	109	78
Accruals	1,123	997	82	98
	31,646	22,733	191	176

Trade payables

Trade payables are non-interest-bearing and are generally settled on terms of 30 to 120 days (2019: 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	
	2020	2019
	US$'000	US$'000
JPY	71	108
US$	10,200	8,816

22. TRADE AND OTHER PAYABLES (continued)

Contract liabilities

Details of contract liabilities as at 31 December 2020 and 2019 are as follows:

	Group			Company		
	31 December 2020	31 December 2019	1 January 2019	31 December 2020	31 December 2019	1 January 2019
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Short-term advances received from customers						
Sales of goods	167	–	344	–	–	–

Contract liabilities included short-term advances received from customers to deliver the products. There was no contract liabilities in 2019 mainly due to the utilisation of the advances from customers upon delivery of goods at the end of the financial year.

23. EMPLOYEE BENEFITS

	Note	Group 2020	Group 2019
		US$'000	US$'000
Employee benefit expenses, including directors:			
Salaries and bonuses		20,629	20,710
Defined contribution plans		887	1,894
Defined retirement benefit plan	(a)	120	81
		21,636	22,685

(a) Retirement benefit obligations

TM Japan maintains an unfunded defined retirement benefit plan for its directors. The amount for the year of approximately US$120,000 (2019: US$81,000) has been charged to profit or loss. The retirement benefit obligations with a carrying amount of US$553,000 (2019: US$407,000) at the year end represent the present value of the defined retirement benefit plan.

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

23. EMPLOYEE BENEFITS (continued)

(b) Share-based payments – Share options

During the year ended 31 December 2020, the Company has one share option scheme, CDW Employee Share Option Scheme 2018 ("Share Option Scheme"), for all employees and directors of the Group. During the year ended 31 December 2019, the Company also operated CDW Employee Share Option Scheme 2013 (the "2013 Scheme"). The 2013 Scheme expired on 28 April 2018, and the final exercise date of the share options granted under the 2013 Scheme was 29 May 2019. Both option schemes were 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
2013 Scheme					
Issued on 30 May 2014	8,500,000	30 May 2014	29 May 2019	SG$0.216	US$0.08
Share Option Scheme					
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	5,750,000	27 August 2019	20 August 2024	SG$0.140	US$0.33

The following reconciles the outstanding share options granted under the 2013 Scheme and the Share Option 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	–	–	–	–	–	SG$0.216	30 May 2016 to 29 May 2019
Share Option 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

23. EMPLOYEE BENEFITS (continued)

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

As at 31 December 2020, the number of share options was 7,250,000 (2019: 7,250,000) which had a weighted average remaining contractual life of approximately 3.6 years (2019: 4.6 years).

The fair values of the share options granted under the Share Option 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:

	Share Option 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 Share Option Scheme, the expected volatility was determined by calculating 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 2020, the Group recognised an equity-settled share-based payment expense of US$114,000 (2019: US$41,000).

At the end of the reporting period, the Company had 7,250,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in utilising 7,250,000 treasury shares to satisfy these share options and debiting reserve of US$324,000.

At the date of approval of these financial statements, the Company had 7,250,000 share options outstanding under the Share Option Scheme, which representing approximately 3.27% of the Company's share capital in issue excluding treasury shares as at that date.

23. EMPLOYEE BENEFITS (continued)

(c) Share-based payments – Share performance

Subsequent to the expiry of the CDW Share Performance Scheme 2013 on 28 April 2018, the Company has adopted another share performance scheme, Share Performance Scheme 2018 (the "Performance Scheme"), for all employees and directors of the Group. The Performance Scheme 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 the RC. An award granted under the Performance Scheme represents the right to receive fully paid shares of the Company free of charge, upon the Group's employees and directors achieving the prescribed performance conditions (the "Award") as set out in the relevant award approved by the committee at its absolute discretion. Awards are forfeited if the employee leaves the Group before the Awards vest. During the years ended 31 December 2020 and 2019, no Awards were granted to any employees and directors under the Performance Scheme.

24. DEFERRED TAX

	Group			
	Consolidated statement of financial position		**Consolidated statement of profit or loss**	
	2020	**2019**	**2020**	**2019**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Deferred tax liabilities				
Withholding tax on undistributed earnings of the PRC subsidiaries (Note 9)	(227)	(113)	(114)	(43)
Fair value gain on equity investments designated at fair value through other comprehensive income	(14)	–	–	–
Fair value adjustment arising from disposal of a subsidiary	(415)	(415)	–	–
Others	(55)	(24)	(31)	(24)
	(711)	(552)	(145)	(67)
Deferred tax assets				
Difference in depreciation for tax purposes	(4)	(2)	(2)	(3)
Directors' insurance	(3)	(4)	1	(3)
Others	194	182	12	(94)
	187	176	11	(100)
	(524)	(376)		
Deferred tax charge (Note 9)			(134)	(167)

24. DEFERRED TAX (continued)

Withholding tax on undistributed earnings of the PRC subsidiaries

Pursuant to the Corporate Income Tax ("CIT") Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate of 5% may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by its subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The applicable withholding tax rate of the Group was 5% during the year ended 31 December 2020 (2019: 5%).

Unrecognised tax losses

At the end of the reporting period, the Group had tax losses of approximately US$8,745,000 (2019: US$9,117,000) 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 the uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Tax consequences of proposed dividends

There are no income tax consequences (2019: Nil) attached to the dividends to the shareholders proposed by the Company that are recognised as liabilities in the financial statements (Note 33).

25. DISPOSAL OF SUBSIDIARY

The assets and liabilities of S.M.T. Assembly Limited and Dongguan Dali S.M.T. Assembly Limited disposed of during the year ended 31 December 2020 were as follow:

	Total US$'000
Cash and bank balances	15
Trade and other receivables	2
Trade and other payables	(4)
	13
Gain on disposal	4
	17
Satisfied by:	
Cash	17
An analysis of the cash flows in respect of the disposal of subsidiaries is as follows:	
Cash consideration	17
Cash and bank balances	(15)
Net cash inflows arising from the disposal	2

26. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	2020		2019	
	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 2020, 30,189,702 (2019: 28,987,102) 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 the options to subscribe for the Company's ordinary shares have been granted to employees of the Group as at 31 December 2020 and 2019.

(b) Treasury shares

	Group and Company			
	2020		2019	
	Number of ordinary shares		Number of ordinary shares	
	'000	US$'000	'000	US$'000
At 1 January	28,987	4,385	24,363	3,752
Shares purchased under Share Purchase Mandate and held as treasury shares	1,203	157	4,624	633
At 31 December	30,190	4,542	28,987	4,385

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

27. 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 profit 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.

28. 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 2020 US$'000	Group 2019 US$'000
Associates:			
Purchase of products	(i)	575	761
Sales of products	(ii)	2	–
Interest income	(iii)	39	–
Research and development expenses	(iv)	–	516
Provision of management support service	(iv)	–	35
Supply of consumables	(v)	–	14
Controlling shareholder:			
Advisory fee	(iv)	–	65
Associated person of a controlling shareholder:			
Interest income	(vi)	60	39

Notes:

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

(ii) The Group has sold goods to Suzhou Pengfu at mutually agreed terms.

(iii) The Group received interest from A Bio for the amount due from A Bio at mutually agreed terms.

(iv) The transactions were entered into between the Group and the relevant parties at mutually agreed terms.

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

(vi) The Group received interest from the relevant party for the loan due from the relevant party at mutually agreed terms.

Compensation of directors and key management personnel

	Group 2020 US$'000	Group 2019 US$'000
Salaries, allowances and benefits in kind	1,814	1,754
Defined contribution plans	37	40
Share-based payment	114	41
	1,965	1,835
Comprise amounts paid to:		
Directors of the Company	992	885
Other key management personnel	973	950
	1,965	1,835

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

29. 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.

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:

	2020			
	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
Group				
Assets measured at fair value				
Financial assets:				
Equity investments designated at fair value through other comprehensive income (Note 15)				
Listed equity investment at fair value	116	–	–	116
Unlisted equity investment at fair value	–	–	990	990
Financial assets as at 31 December 2020	116	–	990	1,106

29. FAIR VALUES OF ASSETS AND LIABILITIES (continued)

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

	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 (Note15)				
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

Level 3 fair value measurements

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

	2020	2019
	US$'000	US$'000
Equity investment designated at fair value through other comprehensive income		
At 1 January	726	1,444
Total gain/(loss) recognised in other comprehensive income/(expense)	212	(718)
Exchange difference	52	–
At 31 December	990	726

During the years ended 31 December 2020 and 2019, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3.

29. FAIR VALUES OF ASSETS AND LIABILITIES (continued)

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

Level 3 fair value measurements (continued)

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 2020 and 2019.

2020

	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	50% to 65%	5% increase in volatility would result in decrease in fair value by US$16,344
		Discount for lack of marketability	8% to 20%	5% increase in discount rate would result in increase in fair value by US$23,327

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

29. 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 2020 and 2019 but for which fair value is disclosed:

	2020				
	Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical instruments (Level1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level3)	Total	Carrying amount
	US$'000	US$'000	US$'000	US$'000	US$'000
Group					
Liabilities					
Fixed rate bank borrowings	-	3,842	-	3,842	3,750

	2019				
	Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical instruments (Level1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level3)	Total	Carrying amount
	US$'000	US$'000	US$'000	US$'000	US$'000
Group					
Liabilities					
Fixed rate bank borrowings	-	637	-	637	636

29. 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)

	2020				
	Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical instruments (Level1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level3)	Total	Carrying amount
	US$'000	US$'000	US$'000	US$'000	US$'000
Company					
Assets					
Amount due from a subsidiary	–	14,808	–	14,808	14,808

	2019				
	Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical instruments (Level1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level3)	Total	Carrying amount
	US$'000	US$'000	US$'000	US$'000	US$'000
Company					
Assets					
Amount due from a subsidiary	–	16,043	–	16,043	16,043

<u>Determination of fair value</u>

Bank borrowings and an amount due from a subsidiary

The fair values as disclosed in the table above are estimated by discounting expected future cash flows at the market incremental market rates for similar types of borrowings and deposits at the end of the reporting period. The Group's own non-performance risk for bank borrowings as at 31 December 2020 and 2019 was assessed to be insignificant. The credit risk of the amount due from a subsidiary was considered insignificant.

30. 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	
	2020	2019	2020	2019
	US$'000	US$'000	US$'000	US$'000
Financial assets:				
Equity investments designated at fair value through other comprehensive income	1,106	829	–	–
At amortised cost (including cash and cash equivalents)	72,216	63,423	14,808	16,043
Financial liabilities:				
At amortised cost	48,717	35,799	191	176

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 certain 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 90% (2019: 82%) 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.

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

Financial risk management objectives and policies (continued)

Credit risk (continued)

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.

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 2020

	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	–	–	1,363	–	1,363
Trade receivables*	–	–	–	35,778	35,778
Investment - loans and receivables					
- Over 90 days past due	–	–	1,506	–	1,506
Financial assets included in other receivables					
- Normal**	705	–	–	–	705
Cash and bank balances**	32,996	–	–	–	32,996
	33,701	–	2,869	35,778	72,348

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

Financial risk management objectives and policies (continued)

Credit risk (continued)

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 - loans and receivables					
- 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

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

** The credit quality of the financial assets included in other receivables, pledged bank deposit and cash and balance 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 79% (2019: 99%) 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.

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

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturity

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 2020				31 December 2019			
	One year or less/on demand	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	37,714	–	–	37,714	33,309	–	–	33,309
Cash and short-term deposits	33,033	–	–	33,033	28,771	–	–	28,771
Loans and receivables	1,558	–	–	1,558	1,574	–	–	1,574
Total undiscounted financial assets	72,305	–	–	72,305	63,654	–	–	63,654
Financial liabilities:								
Trade and other payables	31,469	–	–	31,469	22,801	–	–	22,801
Lease liabilities	1,789	2,391	–	4,180	1,554	2,103	–	3,657
Bank borrowings	10,718	2,826	–	13,544	9,594	107	–	9,701
Total undiscounted financial liabilities	43,976	5,217	–	49,193	33,949	2,210	–	36,159
Total net undiscounted financial assets/(liabilities)	28,329	(5,217)	–	23,112	29,705	(2,210)	–	27,495

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

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturity (continued)

	31 December 2020				31 December 2019			
	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
COMPANY								
Financial assets:								
Other receivables	34	–	–	34	100	–	–	100
Cash and short-term deposits	169	–	–	169	170	–	–	170
Amount due from a subsidiary	–	15,104	–	15,104	–	16,043	–	16,043
Total undiscounted financial assets	203	15,104	–	15,307	270	16,043	–	16,313
Financial liabilities:								
Other payables	191	–	–	191	176	–	–	176
Total undiscounted financial liabilities	191	–	–	191	176	–	–	176
Total net undiscounted financial assets	12	15,104	–	15,116	94	16,043	–	16,137

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 28% (2019: 7%) of the Group's bank borrowings were at fixed rate interest.

Interest rate sensitivity

At 31 December 2020, if interest rates had been 50 basis points higher/lower with all other variables held constant, the Group's profit before tax would have been US$105,000 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.

At 31 December 2019, if interest rates had been 50 basis points higher/lower with all other variables held constant, the Group's loss before tax would have been US$45,000 lower/higher, 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.

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

Financial risk management objectives and policies (continued)

Foreign currency risk

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

	Group			
	Liabilities		Assets	
	2020	2019	2020	2019
	US$'000	US$'000	US$'000	US$'000
JPY	71	108	179	450
US$	23,670	18,494	46,360	39,656
SG$	–	–	200	233
RMB	–	–	30	1,198

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% (2019: 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% (2019: 10%) against the functional currency of each group entity, profit before tax would increase by:

	Group	
	2020	2019
	US$'000	US$'000
JPY	11	34
US$	2,269	2,233
SG$	20	23
RMB	3	120

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

Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

Foreign currency sensitivity (continued)

If the following foreign currencies weakened by 10% (2019: 10%) against the functional currency of each group entity, profit before tax would decrease by:

	Group	
	2020	**2019**
	US$'000	**US$'000**
JPY	(11)	(34)
US$	(2,269)	(2,233)
SG$	(20)	(23)
RMB	(3)	(120)

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 are classified as equity investments designated at fair value through other comprehensive income.

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% (2019: 10%) higher/lower with all other variables held constant, the Group's other comprehensive income would have been US$12,000 (2019: US$10,000) 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.

31. 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 2020 and 2019.

31. CAPITAL MANAGEMENT OBJECTIVES AND POLICIES (continued)

As disclosed in note 27, 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 2020 and 2019.

The Group monitors capital using a gearing ratio, which is total bank borrowings and lease liabilities (2019: total bank borrowings and lease liabilities) for the Group, divided by shareholders' equity. The gearing ratio as at 31 December 2020 was 33.4% (2019: 25.7%).

32. 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/loss before tax in the consolidated financial statements. Corporate expenses, finance costs, interest income, share of losses of associates, 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.

Segment assets excluded equity investments designated at fair value through other comprehensive income, certain other assets, investments in associates, amounts due from associates, 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 and unallocated corporate liabilities as these liabilities are managed on a group basis.

32. SEGMENT INFORMATION (continued)

	LCD backlight units US$'000	LCD parts and accessories US$'000	Office automation US$'000	Others US$'000	Eliminations US$'000	Total US$'000
2020						
REVENUE						
External sales	83,664	13,840	13,177	1,145	–	111,826
Intersegment sales *	–	1,008	410	–	(1,418)	–
Total revenue	83,664	14,848	13,587	1,145	(1,418)	111,826
RESULTS						
Segment results	5,798	1,176	125	(29)	–	7,070
Unallocated corporate expenses						(3,317)
Operating profit						3,753
Finance costs						(294)
Interest income						160
Share of losses of associates						(219)
Gain on disposal of subsidiaries						4
Profit before tax						3,404
Income tax expense						(1,930)
Profit for the year						1,474

* Intersegment sales are eliminated on consolidation.

32. SEGMENT INFORMATION (continued)

	LCD backlight units US$'000	LCD parts and accessories US$'000	Office automation US$'000	Others US$'000	Eliminations US$'000	Total US$'000
2019						
REVENUE						
External sales	61,744	16,817	21,179	1,747	–	101,487
Intersegment sales *	–	–	329	–	(329)	–
Total revenue	61,744	16,817	21,508	1,747	(329)	101,487
RESULTS						
Segment results	2,460	835	1,185	(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)
						(592)
Loss before tax						
Income tax expense						(1,277)
Loss for the year						(1,869)

* Intersegment sales are eliminated on consolidation.

32. SEGMENT INFORMATION (continued)

	LCD backlight units US$'000	LCD parts and accessories US$'000	Office automation US$'000	Others US$'000	Eliminations US$'000	Total US$'000
2020						
ASSETS						
Segment assets	65,908	18,217	12,829	1,321	(481)	97,794
Unallocated assets						4,552
Consolidated total assets						102,346
LIABILITIES						
Segment liabilities	23,770	3,822	4,137	207	(481)	31,455
Unallocated liabilities						19,291
Consolidated total liabilities						50,746
OTHER INFORMATION						
Capital expenditure	860	439	30	4		1,333
Additions to right-of-use assets	1,879	47	99	–		2,025
Depreciation of property, plant and equipment	784	291	168	10		1,253
Depreciation of right-of use assets	885	464	302	40		1,691
Decrease in provision for inventories	(289)	(33)	(63)	–		(385)

32. SEGMENT INFORMATION (continued)

	LCD backlight units US$'000	LCD parts and accessories US$'000	Office automation US$'000	Others US$'000	Eliminations US$'000	Total US$'000
2019						
ASSETS						
Segment assets	47,167	16,448	19,187	1,629	(200)	84,231
Unallocated assets						3,785
Consolidated total assets						88,016
LIABILITIES						
Segment liabilities	13,791	3,262	5,485	219	(200)	22,557
Unallocated liabilities						14,816
Consolidated total liabilities						37,373
OTHER INFORMATION						
Capital expenditure	380	1,230	511	38		2,159
Additions to right-of-use assets	557	1,509	642	50		2,758
Depreciation of property, plant and equipment	635	363	396	16		1,410
Depreciation of right-of use assets	257	361	244	86		948
Increase/(decrease) in provision for inventories	60	66	51	(44)		133

32. 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**	
	2020	2019	2020	2019
	US$'000	US$'000	US$'000	US$'000
Hong Kong	12,012	13,372	809	1,396
PRC	81,240	73,270	6,342	5,450
Japan	18,261	14,329	2,437	2,222
Others	313	516	1,493	1,176
	111,826	101,487	11,081	10,244

** Non-current assets as at 31 December 2020 and 2019 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 54.1% and 27.3% (2019: two major customers accounted for 44.3% and 22.6%), respectively, of the total revenue, arising from sales with all segments.

33. DIVIDENDS

	Group and Company	
	2020	2019
	US$'000	US$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
Second interim exempt dividend for 2019: US0.7 cents per share	1,554	–
Final exempt dividend for 2018: US0.7 cents per share	–	1,591
Interim exempt dividend for 2020: US0.4 cents per share (2019: Interim dividend for 2019: US0.4 cents per share)	888	896
	2,442	2,487
Declared but not recognised as a liability as at 31 December:		
Estimated dividends on ordinary shares as at 31 December 2020:		
Final exempt dividend for 2020: US0.7 cents per share	1,554	–
Second interim exempt dividend for 2019: US0.7 cents per share	–	1,554

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

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 arrangements for lease properties, motor vehicles and machines.

During the year ended 31 December 2020, the Group had non-cash additions to right-of-use assets and lease liabilities of US$2,025,000 and US$2,025,000, respectively, in respect of lease arrangements for lease properties and motor vehicles.

(b) Changes in liabilities arising from financing activities

	2020	
	Bank borrowings US$'000	**Lease liabilities US$'000**
At 1 January 2020	9,486	3,512
Proceeds from bank borrowings	20,634	–
Repayment of bank borrowings	(16,870)	–
New leases	–	2,025
Termination of contracts	–	(78)
Interest expenses	–	150
Repayment of principal portion of lease payment	–	(1,675)
Repayment of interest element on lease liabilities	–	(150)
Foreign exchange movement	–	214
At 31 December 2020	13,250	3,998

	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

34. 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:

	2020	**2019**
	US$'000	**US$'000**
Within operating activities	375	648
Within financing activities	1,825	1,558
	2,200	2,206

35. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 1 April 2021.

Statistics of Shareholdings

As at 22 March 2021

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	15	1.07	704	0.00
100 - 1,000	288	20.63	212,355	0.09
1,001 - 10,000	418	29.95	2,575,300	1.16
10,001 - 1,000,000	660	47.28	55,379,249	24.95
1,000,001 AND ABOVE	15	1.07	163,819,800	73.80
TOTAL	1,396	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	PHILLIP SECURITIES PTE LTD	21,183,200	9.54
3	DBS NOMINEES (PRIVATE) LIMITED	17,676,000	7.96
4	SBS NOMINEES PRIVATE LIMITED	7,935,500	3.57
5	UOB KAY HIAN PRIVATE LIMITED	4,664,500	2.10
6	OCBC SECURITIES PRIVATE LIMITED	3,671,700	1.65
7	NG HWEE KOON	2,784,750	1.25
8	RAFFLES NOMINEES (PTE.) LIMITED	1,883,900	0.85
9	LAI WENG KAY	1,540,350	0.69
10	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,292,000	0.58
11	LEE CHUE CHYE, LIONEL	1,200,000	0.54
12	KHOR KIAN BENG	1,180,000	0.53
13	LIM BUAN HUA	1,125,050	0.51
14	NG CHOR MENG	1,105,850	0.50
15	LEOW BENG LEE (LIAO MINGLI)	1,077,000	0.49
16	TEO CHENG TUAN DONALD	1,000,000	0.45
17	WONG KIEN CHORN	1,000,000	0.45
18	QUAH SIEW ENG EILEEN	995,000	0.45
19	DY MO HUA CHEUNG PHILIP	976,000	0.44
20	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	968,949	0.44
	TOTAL	168,759,749	76.01

Statistics of Shareholdings

As at 22 March 2021

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 March 2021, 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 MARCH 2021
(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Mikuni Co., Limited	113,529,550 (Note 1)	51.14	–	–
Yoshimi, Kunikazu	–	–	113,529,550 (Note 2)	51.14

Notes:

1. 18,029,550 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 March 2021, 47.97% 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 (the "AGM") of CDW Holding Limited (the "Company") will be held by way of electronic means at 3.00 p.m. (Singapore time) on Friday, 30 April 2021 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 2020 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To declare a final dividend of 0.7 US cents per ordinary share (tax not applicable) for the year ended 31 December 2020 (2019: Second interim dividend of 0.7 US cents per ordinary share (tax not applicable)). **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to the Bye-law 104 of the Bye-laws of the Company:

Mr. DY MO Hua Cheung, Philip	(Retiring under Bye-law 104)	**(Resolution 3)**
Mr. MITANI Masatoshi	(Retiring under Bye-law 104)	**(Resolution 4)**
Mr. CHONG Pheng	(Retiring under Bye-law 104)	**(Resolution 5)**

[See Explanatory Note (i)]

4. To approve the payment of Directors' fees up to SG$300,000 for the year ending 31 December 2021 (2020: SG$260,000). **(Resolution 6)**

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

6. To transact any other ordinary business which may properly be transacted at an AGM.

AS SPECIAL BUSINESS

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

7. **Authority to issue shares**

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

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

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

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

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares 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 8)**

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

That authority be and is hereby given for the Directors of the Company to offer and grant options under the CDW Employee Share Option Scheme 2018 (the "ESOS") 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, provided that the total number of ordinary shares over which an option granted or may be granted under the ESOS, 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 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 9)**

9. **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 10)**

10. To approve the continued appointment of Mr. MITANI Masatoshi as an Independent Director by all shareholders pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") contingent upon the passing or Ordinary Resolution 4 above.

[See Explanatory Note (v)] **(Resolution 11)**

11. To approve the continued appointment of Mr. MITANI Masatoshi as an Independent Director by shareholders (excluding the Director and Chief Executive Officer of the Company, and associates of such Directors and Chief Executive Officer) contingent upon the passing of Ordinary Resolution 11 above and pursuant to Rule 210(5)(d)(iii) of the SGX-ST.

[See Explanatory Note (v)] **(Resolution 12)**

12. To approve the continued appointment of Mr. CHONG Pheng as an Independent Director by all shareholders pursuant to Rule 210(5)(d)(iii) of the SGX-ST contingent upon the passing of Ordinary Resolution 5 above.

[See Explanatory Note (v)] **(Resolution 13)**

13. To approve the continued appointment of Mr. CHONG Pheng as an Independent Director by shareholders (excluding the Director and Chief Executive Officer of the Company, and associates of such Directors and Chief Executive Officer) contingent upon the passing of Ordinary Resolution 13 above and pursuant to Rule 210(5)(d)(iii) of the SGX-ST.

[See Explanatory Note (v)] **(Resolution 14)**

14. To approve the continued appointment of Mr. LAI Shi Hong, Edward as an Independent Director by all shareholders pursuant to Rule 210(5)(d)(iii) of the SGX-ST.

    [See Explanatory Note (v)] **(Resolution 15)**

15. To approve the continued appointment of Mr. LAI Shi Hong, Edward as an Independent Director by shareholders (excluding the Director and Chief Executive Officer of the Company, and associates of such Directors and Chief Executive Officer) contingent upon the passing of Ordinary Resolution 15 above and pursuant to Rule 210(5)(d)(iii) of the SGX-ST.

    [See Explanatory Note (v)] **(Resolution 16)**

By Order of the Board

Rachel Ooi
Company Secretary

Singapore
7 April 2021

Explanatory Notes:

(i) The information on other directorships held by Mr. Dy Mo Hua Cheung, Philip, Mr. Mitani Masatoshi and Mr. Chong Pheng, as well as the details of their other principal commitments can be found in the Supplemental Information on Re-election of Directors Pursuant to Listing Rule 720(6) section of the Annual Report 2020.

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

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

(iii) The Ordinary Resolution 9 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to allot and issue and/or deliver (including through the transfer of shares held in treasury by the Company) fully paid-up ordinary shares in the Company pursuant to the exercise of options granted or may be granted under the ESOS. 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, 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 10 in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to allot and issue and/or deliver (including through the transfer of shares held in treasury by the Company) fully paid-up ordinary shares in the Company pursuant to the awards granted or may be granted under the Performance Scheme. The total number of ordinary shares to be allotted, issued and/or delivered over which an award granted or may be granted under the Performance Scheme, when added to the total number of ordinary shares issued and issuable or delivered and deliverable in respect of all other share-based incentive schemes of the Company, shall not exceed fifteen per centum (15%) of the number of all issued ordinary shares (excluding treasury shares and subsidiary holdings) of the Company on the day preceding such date.

(v) On 6 August 2018, the SGX-ST amended the Listing Manual following the publication of the Code of Corporate Governance 2018 ("CG 2018") by the Monetary Authority of Singapore. As part of the amendments to the CG 2018, certain guidelines from the Code of Corporate Governance 2012 were shifted into the Listing Manual for mandatory compliance. On 28 November 2018, the SGX-ST issued the Transitional Practice Note 3 to establish transitional arrangements for certain guidelines shifted into the Listing Manual. Pursuant thereto and in respect of Rule 210(5)(d)(iii) of SGX-ST, to ensure that the independence designation of a director who has served for more than 9 years as at and from 1 January 2022 is not affected, the Company is seeking to obtain shareholders' approvals for the continued appointment of Mr. Mitani Masatoshi, Mr. Chong Pheng and Mr. Lai Shi Hong, Edward as independent director prior to 1 January 2022, as they have served for more than 9 years on the Board of the Company. Rule 210(5)(d)(iii) of the SGX-ST provides that continued appointment as independent director, after an aggregate period of more than 9 years on the board, must be sought and approved in separate resolutions by (A) all shareholders (Resolutions 11, 13 and 15) and (B) shareholders excluding directors, chief executive officer, and their associates (Resolutions 12, 14 and 16) ("Two-Tier Voting"), and such resolutions approved at the Annual General meeting by way of a Two-Tier Voting process shall remain in force for three years from the conclusion of (i) the Annual General Meeting following the passing of the resolutions; or (ii) the retirement or resignation of the director, whichever is the earlier.

In view of the challenges brought about by the ongoing Covid-19 situation, the Nominating Committee ("NC") and the Board, saved for the affected directors who had abstained from all deliberation on their own independence, have assessed the independence status of Mr. Mitani Masatoshi, Mr. Chong Pheng and Mr. Lai Shi Hong, Edward determined that Mr. Mitani Masatoshi, Mr. Chong Pheng and Mr. Lai Shi Hong, Edward have demonstrated strong independence in character and judgement over the years in discharging their duties and responsibilities as Independent Directors of the Company. There were no circumstances which would likely affect or appear to affect their independent judgement and they have acted in the best interests of the Group and the non-controlling shareholders. While recognising their contributions in Board deliberations, competence to facilitate sound decision-making, pertinent experience and stability brought by long-standing Directors due to their length of service, in-depth knowledge of the Group's businesses and board representation on other listed companies which are considered valuable by the Board and does not in any way interfere with their exercise of independent judgement nor hinder their ability to act in the best interests of the Company. Additionally, Mr. Mitani Masatoshi, Mr. Chong Pheng and Mr. Lai Shi Hong, Edward have fulfilled the definition of independent directors of the SGX-ST and CG 2018. More importantly, the Board trust that Mr. Mitani Masatoshi, Mr. Chong Pheng and Mr. Lai Shi Hong, Edward are able to continue to discharge their duties independently with integrity and competency.

Rule 210(5)(c) of the of the SGX-ST and Provision 2.2 of the CG 2018 provides that the Independent Directors must comprise of at least one-third of the Board and the Independent Directors shall make up a majority of the Board where the Chairman is not independent respectively. In the event that either Ordinary Resolution(s) 11, 12, 13, 14, 15 or 16 for the continued appointment of the Independent Director(s) is/are not passed at this Annual General Meeting which renders either Mr. Mitani Masatoshi, Mr. Chong Pheng and/or Mr. Lai Shi Hong, Edward's appointment as an Independent Director of the Company to cease and he/they will remain on the Board as a Non-Independent and Non-Executive Director at the conclusion of the Annual General Meeting and the Company shall endeavour to fill the vacancy(ies) in the Board and Board Committees within two months, but in any case not later than three months from 30 April 2021 to comply with Rules 210(5)(c) and 704(8) of the SGX-ST and Provision 2.2 of the CG 2018.

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 and wish to follow the proceedings must pre-register at https://bit.ly/CDW2021AGM no later than 3.00 p.m. on 28 April 2021. 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 April 2021.

   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 April 2021 may contact our Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at +65 6536 5355 (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. In light of the current Covid-19 measures in Singapore and the Company's effort to minimise physical interactions and risk of community spread of Covid-19, 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 Transfer Agent, 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 April 2021, 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 April 2021:

   (a) via the pre-registration website at https://bit.ly/CDW2021AGM;

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

   (c) by post to the Registered Office of the Company's Share Transfer Agent, 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 April 2021 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 2020 and Appendix dated in relation to the proposed renewal of the Share Buy-Back Mandate are 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

OOI Kai Yin, Rachel

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 Pheng (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. Limited
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

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51 Goldhill Plaza #22-05
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CDW Holding Limited

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